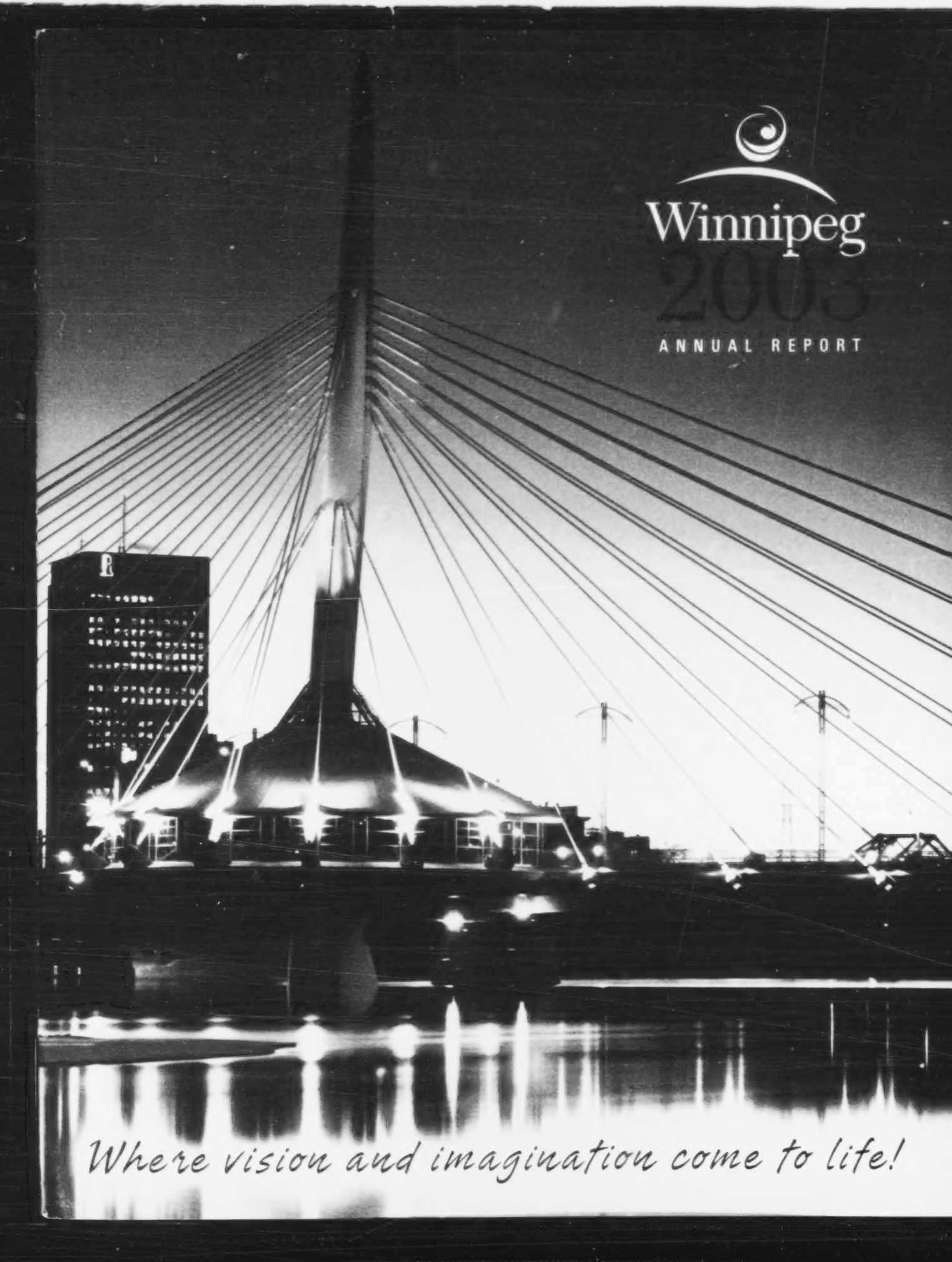

Winnipeg 2003

ANNUAL REPORT

Where vision and imagination come to life!

Winnipeg is a city of strength (public art at the Law Courts) and beauty (The River Walk)

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Winnipeg

2003 ANNUAL REPORT

Tara Birtwhistle is a Principal Dancer with Canada's Royal Winnipeg Ballet. The World is her stage, Winnipeg is her home.

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Imagine a City

Imagine a city that's exciting, vibrant, and friendly, with a rich history and heritage, and a future full of opportunity. Imagine a city where people from all over the world meet, mingle, and work together to make their neighbourhoods beautiful.

Imagine the Heritage

Winnipeg is one of North America's great historic cities. A center for the fur trade since 1738, Winnipeg was the scene of the struggle for Manitoba's provincehood, and with the coming of the Canadian Pacific Railway became the true gateway to Canada's West. Reminders of Winnipeg's past abound: from The Forks, to Louis Riel House, to the Exchange District, a National Historic Site where the architectural graces of the 19th and early 20th century frame the galleries, restaurants, and clubs of the 21st.

Imagine the Opportunity

Winnipeg is a fantastic place to do business. Our economy is one of the most stable and diverse in Canada, our workforce highly educated and productive. In a 2003 survey of the best cities in the country to do business, Canadian Business ranked Winnipeg first among cities over 500,000 people – ahead of Toronto, Vancouver, and Montreal. Strongly competitive cost advantage, strategic location for shipping and communications, and a trained workforce make Winnipeg a prime location for enterprises both large and small.

Imagine the Innovation

Winnipeg's civic government is committed to innovation in every field. In 2003, municipal property taxes were frozen – the sixth year in a row they have been decreased, or frozen. Winnipeg has become a national leader in the movement to find fairer, more sustainable funding for cities, so that they can continue to be engines driving Canadian economic success. Winnipeg is also joining in partnership with the federal and provincial governments to meet key infrastructure needs: the Kenaston underpass, improved wastewater treatment, and rapid transit. In fiscal matters, in policy development, and in service provision, Winnipeg is always looking ahead.

Imagine the Excitement

Winnipeg is getting more exciting every year: art, music, sport, and film, are all thriving here. Our galleries have showcased everything from Van Gogh to the avant-garde. Our theatres are bright with the sights and sounds of the 'lively arts': ballet, the symphony, theatre and opera. We host games – some of the biggest games – like the 1999 Pan Am Games and the 2002 North American Indigenous Games. We host some of the biggest and best festivals in North America, too: like Folklorama, the Winnipeg Folk Festival, and Festival du Voyageur. Winnipeg has many professional sports teams, and is a growing center for the film industry, which last year spent over $120 million here. Lately, it's not unusual to catch a glimpse of stars like Jennifer Lopez or Richard Gere, walking down the streets of the Exchange District.

Imagine the Community

Winnipeggers take pride in their city, and pleasure in knowing one another. A winner of both the *"Communities in Bloom"* and *"Winter Lights"* competitions, Winnipeg is beautiful, summer and winter. Home to people from all over the globe – over 100 languages are represented here – Winnipeg is warmly multicultural. With all the attractions and excitement of a truly great city, Winnipeg has somehow managed to hold onto a genuine spirit of community. That's why most Winnipeggers just can't imagine living anywhere else.

At Christmas, downtown sparkles – New arena, renewed downtown

Message from the Mayor of the City

In 2003, with the support of both City Council and the Administration, I put forward a series of proposals for a *New Deal*. Our case for significant change rests on some fundamental realities we face as a city government.

- Our infrastructure is crumbling. City engineers estimate that we should increase spending on roads, bridges and other infrastructure by $188 million a year. The sewage system cleanup alone requires $751 million in improvements over the next decade.

- The costs of building a more prosperous city cannot be shouldered by property taxpayers alone. Homeowners' property taxes are still too high, despite a cut of more than eight per cent since I became Mayor.

- The City's debt level has been cut almost in half since 1999 largely due to Council's decision to stop borrowing for tax-supported capital as well as the sale of Winnipeg Hydro to Manitoba Hydro. By not borrowing for tax-supported capital, the City has been able to save almost $20 million in debt servicing costs over the last five years.

We heard from thousands of Winnipeggers at seven public Town Halls, 68 workshops with community organizations, two Internet Town Halls and through phone calls, e-mails and faxes.

The message was clear: Winnipeggers agree with all three of our premises. In seeking a solution, they pointed clearly to the federal and provincial governments, which have access to revenues that grow with the economy.

We have now redrafted a Council endorsed *New Deal* and entered into negotiations with the other orders of government.

The federal government has already agreed to rebate the Goods and Services Tax paid by municipalities, recognizing that governments shouldn't tax other governments. This was an important first step, one we hope will be followed by other agreements to provide cities with access to the revenues they need.

The federal and provincial governments have also announced contributions of $55 million each to three important infrastructure projects: the Kenaston underpass, rapid transit and wastewater treatment. Their contributions will be more than matched by the City.

Until significant change is achieved, the City continues to wrestle with the difficult challenge of balancing our budget without cutting services. I commend my City Council colleagues and the Administration for again meeting this challenge.

This is the sixth year in a row that our municipal taxes have either decreased or been frozen. What we've accomplished is unprecedented. City revenues, largely made up of property taxes, are flat. Our expenses due to inflation continue to rise. Yet Winnipeg is the only major city in western Canada not increasing property taxes this year. This remarkable tax freeze has been achieved without any significant cuts to services.

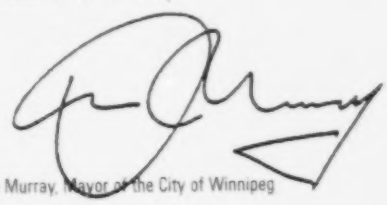
Winnipeg's downtown and Exchange districts continue to be renewed with a variety of important construction projects.

The Princess Street campus of Red River College already brings more than 2,000 students to the Exchange District every day, with a third phase now under construction, thanks in part to our Heritage Tax Credit Program.

The MTS Centre, being built by True North Entertainment, is scheduled to open November 2004, bringing exciting sports action and world-class concerts to Winnipeg's downtown.

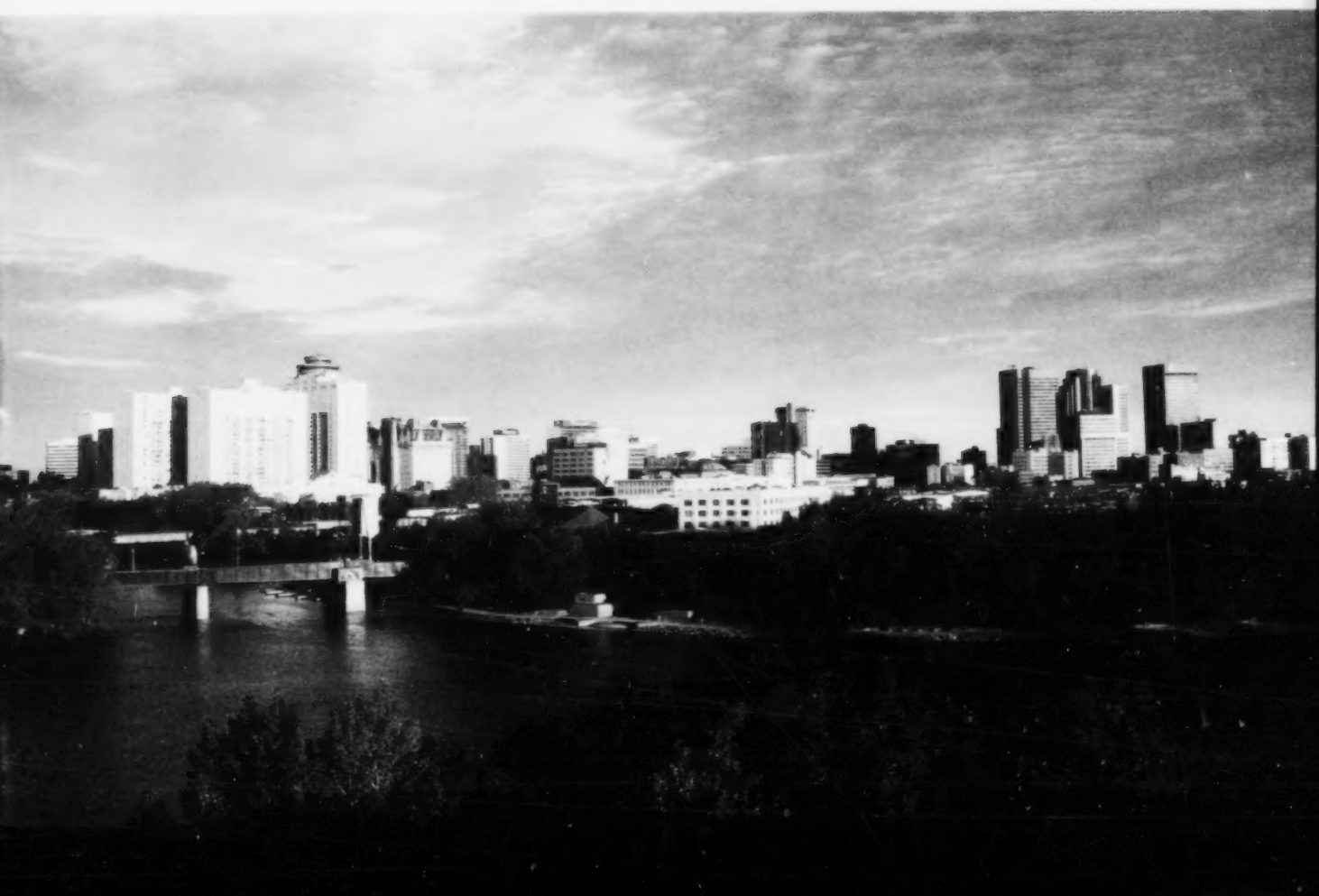
Manitoba Hydro has purchased the site on Portage Avenue between Carlton and Edmonton Streets and hired the architects to build a world-class energy-efficient signature building. The head office will be a minimum of 400,000 square feet and bring some 2,000 Hydro employees downtown every day.

In 2003, City Council appointed Annitta Stenning as our new Chief Administrative Officer. Her potent mix of public and private sector experience has already proved invaluable to the City.



Glen Murray, Mayor of the City of Winnipeg

Our City and its Mayor on the move



Commitment to the City & its People

MESSAGE FROM THE CHIEF ADMINISTRATIVE OFFICER

It was in September of 2003, that I began this exciting journey as CAO for the City of Winnipeg. In that short time I've discovered first hand the complexity of this organization and have been impressed with the commitment and talents of both the political leadership and the management and staff. I've been in Winnipeg almost 30 years now. It's a city that I'm very passionate about.

We're at the beginning of a true renaissance for our downtown and for the City as a whole. As the CAO, I'm eagerly looking forward to being part of the growth and revitalization that is underway. For me, this is another step in being part of positive change, and part of improving and contributing to Winnipeg's future.

City staff act as an important bridge between political policy making and implementation. Staff also can provide sound recommendations that lead to policy development. On a daily basis, staff play an important role in providing a variety of services to our community. Whether it's creating a nurturing environment for economic development or saving lives on the street, our work involves helping people, improving quality of life, and enabling growth.

Plan Winnipeg 2020 is our guide in the development and execution of all policies, programs, new initiatives, fiscal matters, by-laws and services to the citizens of Winnipeg.

Plan Winnipeg holds up a mirror to our community's achievements and aspirations. It reflects our pride in being a vibrant and healthy city, with a rich heritage and an unparalleled quality of life. Even more, *Plan Winnipeg* projects an ambition, a determination, to make our city an even more exciting place in the years ahead.

Winnipeg is clearly a city where vision and imagination do come to life. Winnipeggers dared to imagine a vital, re-energized downtown; and everywhere, you can see it taking shape. Council has been working with many partners - like the Business Improvement Zones, CentreVenture, and community organizations of all kinds - to make our downtown a destination of choice for work and play. A host of new projects are changing the face of downtown, projects like the MTS Centre, the Red River College Princess Street Campus, the Millennium Library, and the spectacular new Provencher Bridge. With the launch of the City's downtown design competition, *City Crossing*, even historic Portage and Main is being re-envisioned, as a meeting-place for the 21st century.

As City staff, we were proud to assist Council in bringing every innovative new initiative to fruition. We were proud, too, to help ensure that creativity in pursuing new initiatives was always balanced by responsibility and sound fiscal management.

This past year, City staff were excited to participate in one of the boldest policy initiatives ever launched by a civic government in Canada: the 'early ideas' *New Deal* consultations. In broad terms these discussions were about finding new ways to fund civic infrastructure and services responsibly and sustainably. The *New Deal* simply asked all of us, as citizens, to think about new choices - about funding each service in a sensible, sustainable way. We look forward to supporting City Council as they embark on the next stage of the process.

In 2004, we know we will face fiscal challenges; we also know that our focus on providing the very best in public service will serve us well. Like all Winnipeggers, we envision a city that is more beautiful, more prosperous, more exciting, and more compassionate every passing year; it is our privilege to work with Council and with all of you to make that dream a reality.

Annitta Stenning

Annitta Stenning, Chief Administrative Officer

2003 CITY COUNCIL

His Worship
Mayor Glen Murray

John Angus
St. Norbert Ward
Chairperson, Standing Policy Committee on Public Works
Chairperson, Alternate Service Delivery Committee
from May 1 to November 5, 2003

Bill Clement
Charleswood - Tuxedo Ward
Chairperson, Standing Committee on Fiscal Issues

Peter De Smedt
St. Charles Ward
Chairperson, Alternate Service Delivery Committee
until April 30, 2003

Jae Eadie
St. James - Brooklands Ward
Secretary of Intergovernmental Affairs
until November 5, 2003
Secretary for Governance Reform
commencing November 5, 2003

Jenny Gerbasi
Fort Rouge - East Fort Garry Ward
Chairperson, Standing Policy Committee on Protection and Community Services

Harry Lazarenko
Mynarski Ward
Deputy Speaker
Chairperson, Riverbank Management Committee

Mark Lubosch
North Kildonan Ward

Mike O'Shaughnessy
Old Kildonan Ward
Speaker of Council
Chairperson Secretariat Committee

Mike Pagtakhan
Point Douglas Ward

Harvey Smith
Daniel McIntyre Ward

Garth Steek
River Heights - Fort Garry Ward

Gord Steeves
St Vital Ward
Acting Deputy Mayor
Chairperson, Alternate Service Delivery
commencing November 5, 2003

Lillian Thomas
Elmwood - East Kildonan Ward
Deputy Mayor *until November 5, 2003*
Secretary of Intergovernmental Affairs
commencing November 5, 2003

Daniel Vandal
St. Boniface Ward
Deputy Mayor
commencing November 5, 2003
Chairperson, Standing Policy Committee on Property and Development

Russ Wyatt
Transcona Ward

2003 SENIOR ADMINISTRATORS

Annitta Stenning
Chief Administrative Officer

Robert P. Gannon
Chief Financial Officer

Cliff Jeffers
Chief Information Officer

Robert Pruden
Chief of Human Resources and Corporate Services

Rick Borland
Director, Winnipeg Transit

Jack Ewatski
Chief, Winnipeg Police Service

Shannon Hunt
City Auditor

Richard Kachur
City Clerk

Harry Finnigan
Director, Planning, Property and Development

Barry MacBride
Director, Water and Waste

Brian Moore
City Assessor

Wes Shoemaker
Chief, Fire Paramedic Service

Ursula Stelman
Director, Community Services

Jim Thomson
Director, Public Works

Effective & *affordable* government

Improved systems and better business practices ensure a more efficient and cost-effective municipal administration. This section reports on 2003 activities that have led to improving the financial performance of the City without compromising the level of service to citizens.

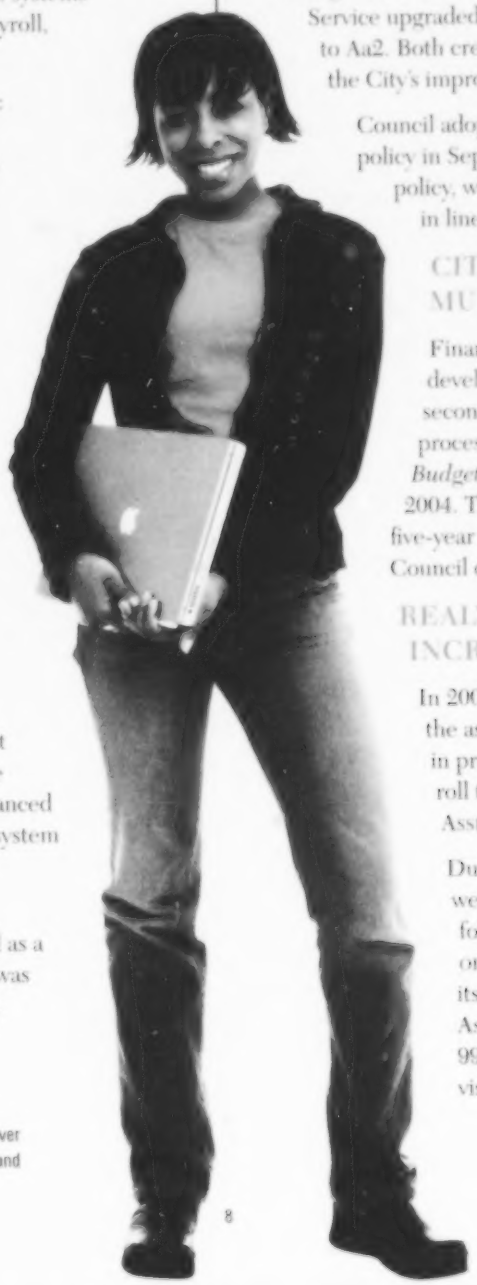
CONNEXUS PROJECT MEETS SCHEDULE

Connexus was a major corporate initiative intended to create greater efficiencies in business systems including finance, human resources, payroll, purchasing and inventory.

Connexus had four important purposes: achieving affordability, modernizing technology and systems, adjusting for a smaller workforce, and positioning for greater electronic services.

In June 2003, the Finance and Base Human Resource (HR) modules of the PeopleSoft product were rolled out including the new payroll module. The City's budgeting system and other advanced HR functions were introduced to the system in the spring of 2004.

A highly ambitious undertaking, the *Connexus* project has been recognized as a model for municipal organizations. It was completed on time and within budget.



Marsha Robb is a third year student attending Red River Community College's Downtown Campus where she and the city are developing vision and imagination.

CITY'S CREDIT RATING UPGRADED

The City received two credit rating upgrades last year. In January, Standard & Poor's upgraded the City's credit rating from AA- to AA. In October, Moody's Investors Service upgraded the City's credit rating from Aa3 to Aa2. Both credit rating agencies commented on the City's improved financial situation.

Council adopted the City's first investment policy in September 2003. The adoption of this policy, which will be reviewed annually, is in line with good governance practices.

CITY DRAFTS MULTI-YEAR BUDGETS

Financial Planning and Review developed and launched the City's second three-year operating budget process. The *2004 to 2006 Operating Budget* was adopted by Council in March 2004. The *2004 Capital Budget* and five-year capital forecast was adopted by Council on December 16, 2003.

REALTY ROLL INCREASING IN VALUE

In 2003 there were 17,577 changes to the assessment roll and an increase in property value added to the realty roll through the work of the Property Assessment Department.

During the year 12,725 properties were inspected. The realty roll, following all appeals at the Board of Revision, remained at 99.8% of its original value, while the Business Assessment Roll was maintained at 99.6%. There were over 200,000 visitors to the department's web-site.

Office towers at Portage and Main

The River Walk at the Forks

WORKFORCE PLANNING FOR GREATER EFFICIENCY & DIVERSITY

Corporate Services rolled out a Succession Planning framework to departments. This strategy was developed to address the anticipated retirement wave of the City's "baby boomer" employees. It provides a step-by-step approach for managers to develop workforce plans. This initiative also supports departmental diversity objectives as a major component of the City's workforce planning.

Corporate Services launched the *Safety, Health and Organizational Wellness (SHOW)* strategic initiative in 2003. This $200,000 Human Resource project will develop a corporate strategy for ensuring a "positive, respectful, safe and healthy work environment" for all employees.

The *Employment Systems Review (ESR)* was completed early in 2003. The purpose of the *ESR* was to identify equity and diversity barriers to designated groups in the City's hiring, retention and promotion practices.

MUNICIPAL ABORIGINAL PATHWAYS

(MAP) is an action-oriented policy framework that represents the City of Winnipeg's explicit commitment to establish a progressive new partnership with Winnipeg's Aboriginal community to address key cultural, demographic, and socio-economic challenges over the next decade. In adopting *MAP*, Council has committed the City to develop 15 specific strategic initiatives within five policy pathways: Employment, Safety, Economic Development, Quality of Life, and Outreach and Education. *MAP* reflects Council's belief that through genuine partnering, effective planning, and the creative use of municipal levers, the City can work with the Aboriginal community to secure and enhance the collective well-being of all our citizens.

UTILITY CONTRIBUTES TO REVENUE

Water and Waste utility operations contributed $24.2 million to the City's General Revenue Fund. There were no changes to the water and sewer rates for 2003.

The *ESR Action Plan for Diversity*, identified as a priority, will provide training, outreach and other activities needed to create and sustain a more diverse workforce.

A training fund has been renewed between the City and one of its largest unions, the Canadian Union of Public Employees (CUPE). *A Letter of Understanding* was renegotiated for an additional $3 million. For the most part, the focus of the fund has been on education and training initiatives. A significant portion of the new fund will be used for staff development and career management.

PUBLIC INFORMATION EASIER TO ACCESS

The City Clerk's Department continued to be a North American leader in E-government by communicating all political decisions on the Internet thus giving the public greater accessibility and understanding of the actions of its civic government. A Public Access Terminal was installed in December at the City Hall Information kiosk to allow on-line access to Council and Committee Agendas, Minutes, Disposition of Items, Hansard, and City By-laws. This terminal provides a convenient, paperless way for the public to access these documents.

Even at a very young age, Aidan Campbell understands the benefits of recycling.

ALTERNATIVE SERVICE DELIVERY UPDATE

Alternative Service Delivery (ASD) is a key tool to support the City's efforts in achieving more affordable government. The City completed various stages of work in 2003 relating to *ASD* initiatives in several areas:

- Established the Fleet Management Agency on January 1, 2003, as the City's fourth Special Operating Agency (SOA).
- Prepared the business plan and operating charter for the Winnipeg Parking Authority SOA.
- Hired a Chief Operating Officer for Assiniboine Park Enterprise to provide leadership for the future development of the Park.
- Conducted a review of the ASD Policy and Process.

A NEW DEAL FOR WINNIPEG

In the fall of 2003, citizens were introduced to the concept of a *New Deal for Winnipeg*. The *New Deal* is a proposal to establish new relationships with the other levels of government, to achieve greater civic autonomy, and to receive new growth revenue tools. Overall it's about a vision for creating a more desirable city in which to work and live. A *New Deal* is necessary because the current system, where the City is funded primarily by property taxes is not working. Property tax revenues do not grow sufficiently with the economy and do not provide the city with the means to renew existing infrastructure, to build for the future, and to sustain services.

CITIZENS CONSULTED ON A NEW DEAL

Throughout the fall, citizens had opportunities to learn about the city's early *New Deal* proposals and to provide their own ideas. Seven Town Hall meetings were held across the city attended by 2,800 people. Additionally, 68 community workshops were held with a broad range of stakeholder groups. Two electronic town hall meetings were held and citizens had an opportunity to submit their views through the city's website or directly to the Mayor's Office.

NEW DEAL BECOMES "TOP OF MIND" WITH CITIZENS

An extensive media campaign took place to create awareness about the *New Deal* proposals and to draw citizens to the Town Hall meetings and to participate in the debate. As well as paid advertising, the *New Deal* received unprecedented media coverage both locally and nationally.

There were 204 *New Deal* articles in the local press and over 200 television news stories. A Probe Research/Free Press poll showed that the *New Deal* had become the top of mind issue with Winnipeggers.

Craig Sandells dresses Winnipeg for the big and small screen. Craig also does set design for the stage. He and his recent Gemini for Best Production Design, The Atwood Stories, reside in Winnipeg.

Where the *living* is easy

DOWNTOWN AND NEIGHBOURHOODS: Downtown revitalization is a priority with City Council. Several major projects are underway which will revitalize the area and bring people back to the downtown. Older inner-city neighbourhoods are undergoing restoration to retain their unique character and keep them as desirable places to live.

COMMUNITY HOME RENOVATION PROGRAM POPULAR WITH HOMEOWNERS

The aim of the program was to encourage the renovation of older homes in specific neighbourhoods, with an emphasis on exterior work. The outcome was $3.6 million in improvements to over 620 homes.

ROOMING HOUSE LICENSING PROGRAM GAINS HIGH PRAISE

A licensing program for Rooming Houses was established in 1995, primarily in response to fire safety concerns. The entire backlog of inspections has been completed, bringing a total of 2,067 premises into compliance.

Responsibility for all aspects of the Licensing of Rooming Houses has been transferred to the City's Fire Prevention Branch. The City's *Rooming House Program* has received recognition by the Canada Mortgage and Housing Corporation (CMHC) as a model program.

VACANT DWELLINGS BY-LAW WORKING

The *City of Winnipeg Charter* grants the City extensive powers to regulate and control vacant and boarded-up buildings. In the first year of enforcement, approximately 150 vacant residential buildings were identified, compliance orders issued, and enforcement actions taken. An amendment to the existing by-law, expanding the scope to include all vacant and derelict buildings, has been through first reading of Council and will now move to a public consultation process.

LAUNCH OF "PERMITS X-PRESS"

In the Fall of 2003, the Planning, Property and Development Department launched *Permits X-Press*, a comprehensive review of the City's building and development permit application process. System improvements will occur in three phases over the 18-month project. Extensive consultation has taken place with key industry representatives and other stakeholders.

CANADA'S MOST FAMOUS INTERSECTION UNDER REVIEW

The City has launched a downtown design competition, *City Crossing*, to seek options for enriching and enhancing Winnipeg's famous

Pat Hitchcock is responsible for just one of CentreVenture's successful revitalization projects in the Downtown. Pat developed and lives in the Lofts on Princess.

Red River Downtown Campus opened to full capacity Fall of 2003

2003 Home Renovation Tax Assistance Program helped give this 1950's Westend home a facelift

corner of Portage and Main. There was $100,000 in cash prizes for the competition, the entries of which were to be judged and selected by Spring 2004.

HISTORICAL BUILDINGS IMPORTANT TO CITY

The Historic Building Committee has worked on heritage conservation in Winnipeg for the past 25 years. Over 200 city buildings, with outstanding architectural features, are now listed on the Historic Conservation List. The Exchange District is a National Historic Site.

NEW SIGNAGE FOR TRAFFIC AND PEDESTRIANS

The first phase of a new traffic wayfinding signage system was approved by City Council in October. This will mean the installation of 133 directional signs on major routes to assist motorists in navigating the city and finding points of interest. These new signs will be consistent with the City's new logo. Phase two of this program addresses the need of pedestrian wayfinding signage in the downtown. This system will include tourist and walking maps as well as directional signage located at street level and within the weather protected walkway system. The Forks was the first location to install the new signage.

MAJOR DOWNTOWN INITIATIVES APPROVED THROUGH CITY PLANNING: Several significant projects in the downtown have undergone design reviews including: MTS Centre, Red River Community College, Forks Parking Structure, Film Exchange Building addition, City Hall Courtyard, Canwest Global Ball Park expansion, Millennium Library Project, and the Provencher Pedestrian Bridge

CITY HALL UNIVERSAL DESIGN AND ACCESS RENOVATIONS

With *Universal Design* principles in place, work was completed in the Council Building to ensure barrier-free access. One of the main items of the renovation was the installation of a new elevator in the Council Chambers. Universal access is now provided to all levels of the Council Building.

Charlie Johnston has big talent, he estimates he has painted 23 acres of murals, the majority of them making Winnipeg buildings a site to see.

CITY HALL COURTYARD REDEVELOPMENT

Throughout 2003 several contracts were awarded for improvements to City Hall Courtyard. The structural repairs were largely completed in 2003 and new trees and paving stones were placed. The beautiful new courtyard reopened in Spring 2004.

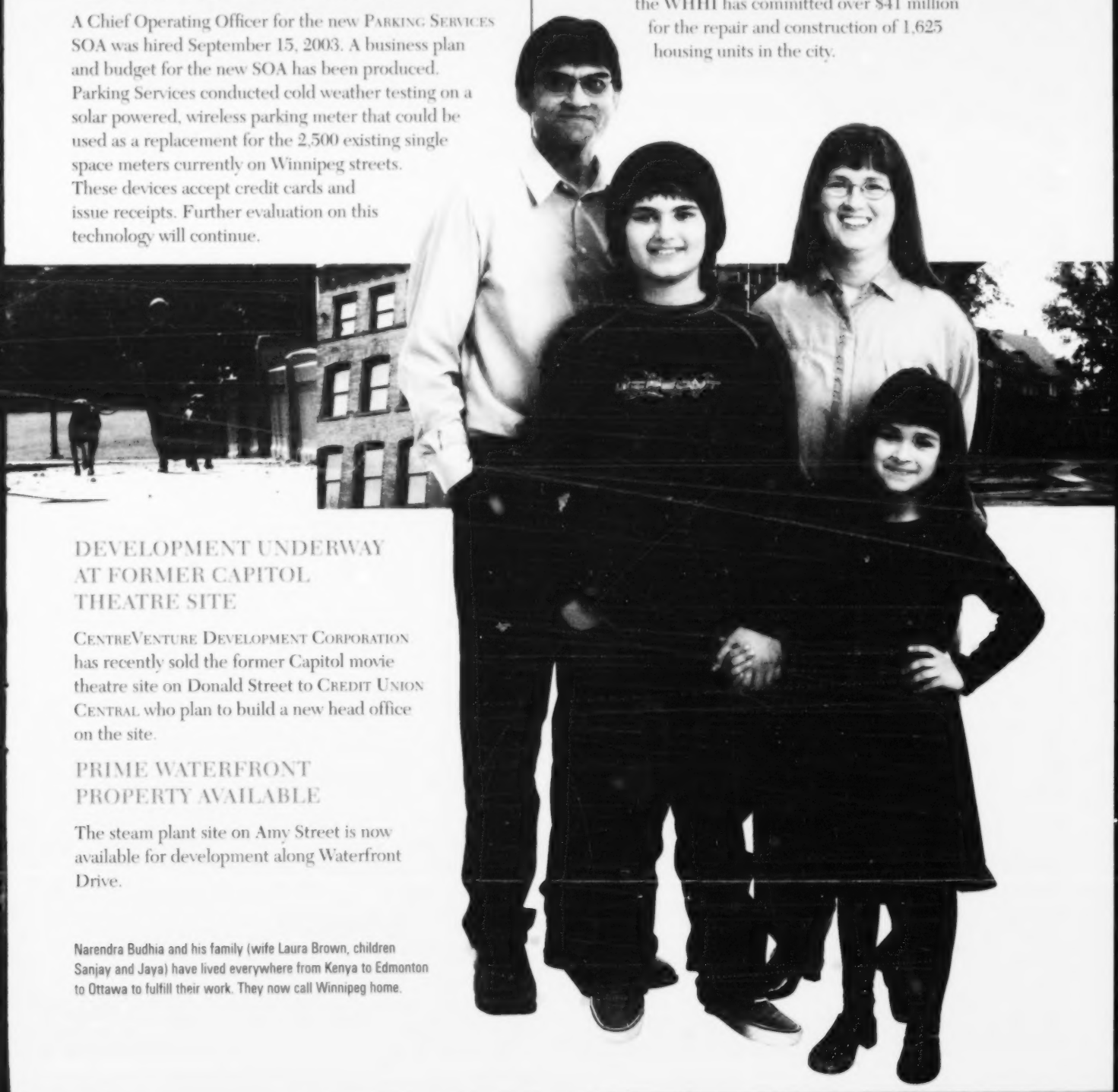
DOWNTOWN PARKING TESTING NEW SOLAR METERS

A Chief Operating Officer for the new Parking Services SOA was hired September 15, 2003. A business plan and budget for the new SOA has been produced. Parking Services conducted cold weather testing on a solar powered, wireless parking meter that could be used as a replacement for the 2,500 existing single space meters currently on Winnipeg streets. These devices accept credit cards and issue receipts. Further evaluation on this technology will continue.

WINNIPEG COMMITTED TO HOUSING RENEWAL

The City along with the governments of Canada and Manitoba have renewed the Winnipeg Housing and Homelessness Initiative (WHHI) for another five years. The renewal of the partnership will lead to the construction and renewal of safe and affordable housing in the City's older neighbourhoods.

Since the program's inception in May 2000, the WHHI has committed over $41 million for the repair and construction of 1,625 housing units in the city.



DEVELOPMENT UNDERWAY AT FORMER CAPITOL THEATRE SITE

CentreVenture Development Corporation has recently sold the former Capitol movie theatre site on Donald Street to Credit Union Central who plan to build a new head office on the site.

PRIME WATERFRONT PROPERTY AVAILABLE

The steam plant site on Amy Street is now available for development along Waterfront Drive.

Narendra Budhia and his family (wife Laura Brown, children Sanjay and Jaya) have lived everywhere from Kenya to Edmonton to Ottawa to fulfill their work. They now call Winnipeg home.

Smooth *Sailing* in the City

TRANSPORTATION AND INFRASTRUCTURE: Roads, sidewalks, pathways and bridges are the connectors that help keep a city functioning smoothly. To sustain their viability, and as cities age, they must continually reinvest in their infrastructure.

PROVENCHER BRIDGES OPEN TO PUBLIC

The new double span Provencher Bridge, linking St. Boniface with downtown, opened to vehicle traffic in the fall of 2003. The spectacular new pedestrian bridge (see cover) was named Esplanade Riel and will be officially opened in 2004. The total budget for the project was $70.4 million.

SEWER RENEWAL PROGRAM

In 2003, $15.4 million was invested in the *Combined Sewer Renewal Programs*. This included renewing, rehabilitating and the inspection and cleaning of combined sewers.

PIPES REPLACED UNDER RIVER

The Water and Waste department replaced a pair of leaking 67-year-old cast iron sewer pipes that transport wastewater under the Assiniboine River to the North End Water Pollution Control Center. The pipes were replaced in a record time (three weeks) at a cost of $300,000. The new polyethylene pipes were installed using trenchless technology. This is a non-destructive, environmentally friendly method of installing pipes beneath the river channel.

WATER MAINS FLUSHED CLEAN OF SEDIMENT

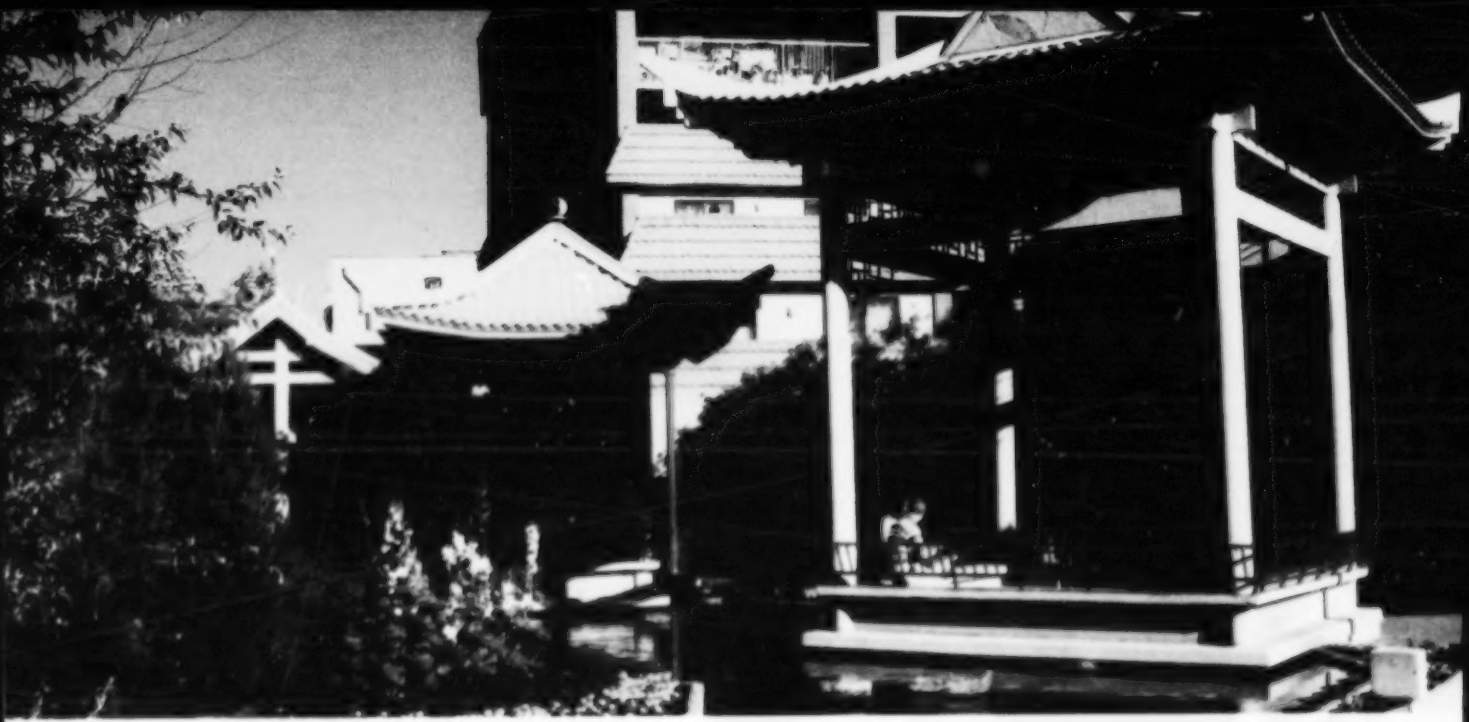
In the first year of a new annual water main cleaning program, the department cleaned about 130 kilometers of water mains in the southeast section of Winnipeg. It will take about five years to clean all the sediment from the water mains. All water mains will be cleaned by late 2007 to be ready to carry treated water from the new water treatment plant to customers' taps. In 2003, $6.5 million was invested in the *Water Main Renewal Program*. The work included cathodically protecting approximately 29 km of metallic water main and replacing approximately 6.8 km of cast iron water main.

MOVING FORWARD ON RAPID TRANSIT

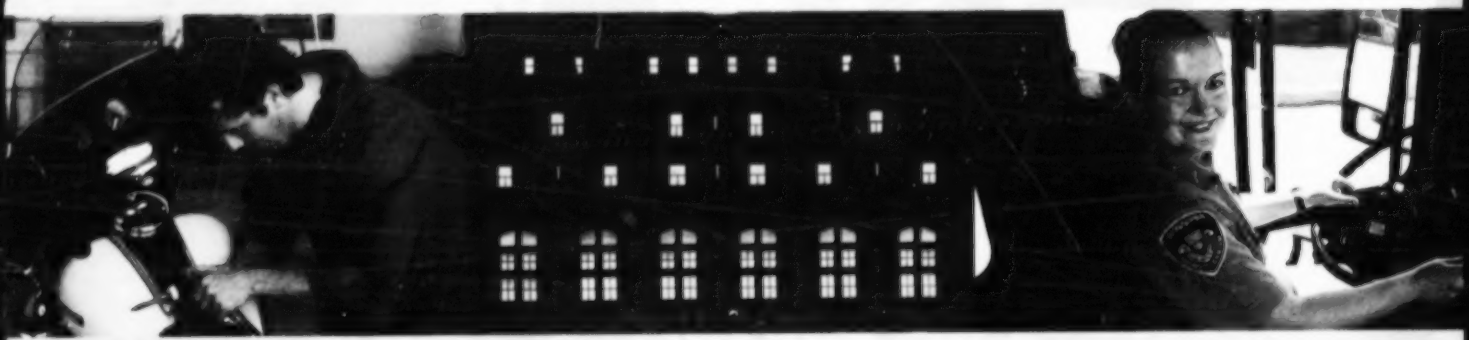
In 2003, City Council approved a budget of $1.7 million for *Bus Rapid Transit* (BRT) in order to: assess alternative technologies, undertake the preliminary design of the first phases of BRT, conduct public consultations and an environmental assessment.

Early in 2004, the Federal, Provincial and City governments announced $50 million for start-up funding of phase one of *Bus Rapid Transit*. Phase one will include construction of a 3.4 km busway from the Forks to Pembina and Jubilee and further

Why does John Stangroom know the best kept secret in Winnipeg? Because he captains River Interpretive Tours that view the beauty of Winnipeg from the rivers, five times a day from spring to fall.



A tranquil garden in Chinatown



Monkey trails in Assiniboine Park

development of diamond lanes and bus terminals to the University of Manitoba. The new BRT system will also include Intelligent Transportation Systems to provide real time passenger information. Final design and land acquisition will occur in 2004 and construction is expected to begin in 2005.

BUS REPLACEMENT

The Transit Department received delivery of fifty new low floor accessible buses to replace aging buses in the fleet, and also to expand the proportion of the fleet accessible for individuals with mobility difficulties.

NAVIGO SHOWS YOU HOW TO GO

The *Navigo Trip Planner* system was implemented in March 2003. This web-based service enables people to input departure and destination data and the system provides times, maps, waits, and optimum routes. *Navigo* is now responding to 3,000 requests per day.

HANDI-TRANSIT SCHEDULING

Continued improvements were made in the *Handi-Transit* scheduling system to enable more efficient and effective allocation/booking of trips. This allowed *Handi-Transit* to provide 16,000 more trips for customers in 2003 (a 3.3% increase) with no increase in funding.

PASSENGER COUNTERS

Automatic Passenger counters were installed on 73 buses, and related software development undertaken, to establish a *Transit Service Analysis System* to analyse passenger loads, service productivity, schedule adherence and bus running times.

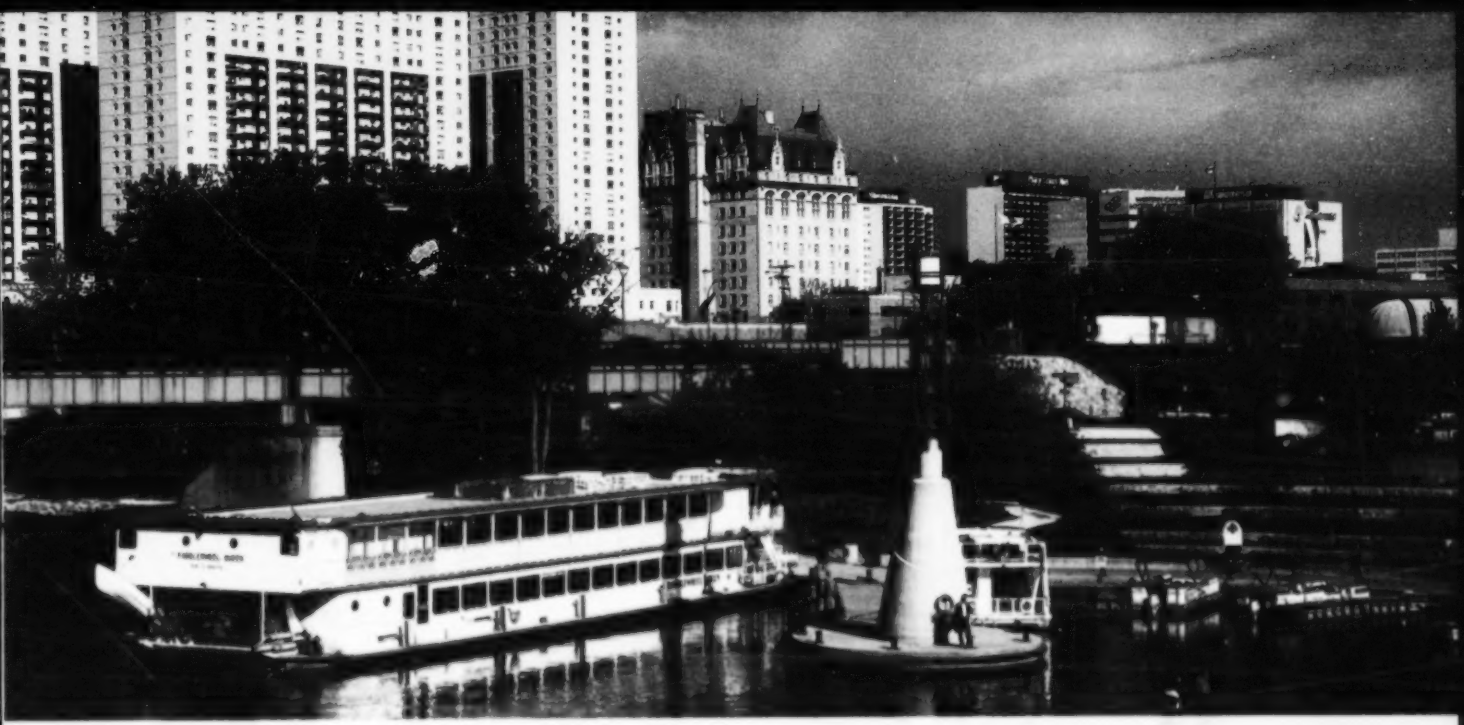
Sharon Moffat with mosquito trap is part of the insect control team that keeps Winnipeg's beautiful summers skeeter free.

ECOPASS ENCOURAGES RIDERSHIP

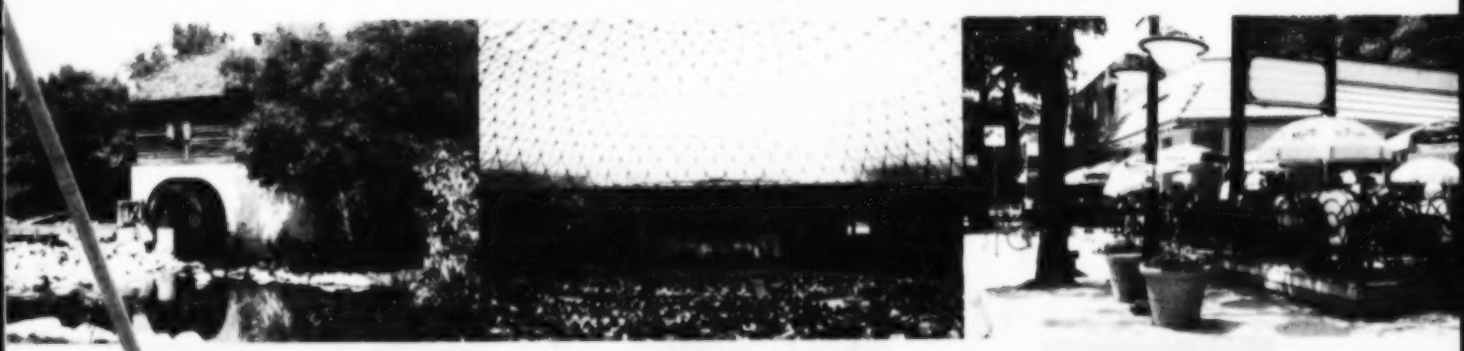
The *EcoPass Program* continues to expand and has shown remarkable results over the last year. Amongst the participating companies' employees, monthly bus pass sales have increased over 400%. As a result of the program, Transit usage among participating companies and employees has increased approximately 45% and there has been a net revenue increase for Transit of approximately 34%.

BUS RIDERSHIP INCREASES

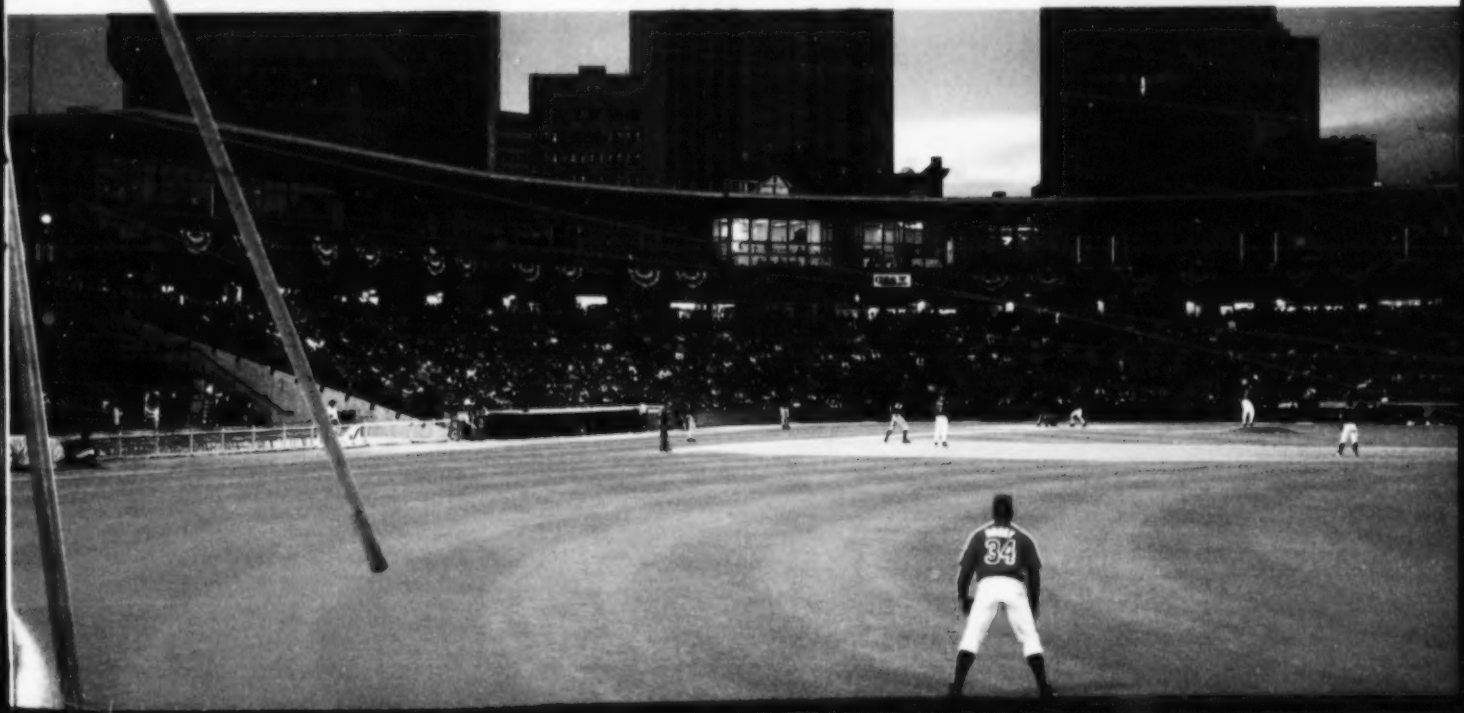
The last four months of 2003 saw very positive ridership increases as a result of increased enrolment at the University of Manitoba, University of Winnipeg, and Red River College. In addition, there has been increased transit usage amongst the students at the Red River College Downtown campus.



The docks at the Forks, a place to relax



Baseball fans love their downtown ballpark



Caring for the Community

HEALTH AND SAFETY: The safety of citizens remains a service priority. Fire and emergency medical response, building standards and inspections, crime and injury prevention, and emergency preparedness form the basis of this protection. Health inspections, animal control, and the provision of city-wide library services enhance the health and education of our citizens.

FIRE PARAMEDIC SERVICE INTEGRATION

Progress was made with regard to Fire Paramedic integration. An employee driven study was completed and work is now underway to take the Winnipeg Fire Paramedic Service from its current state to a future integrated service. Projects designed to achieve that desired end-state have begun.

Justin Holmes enjoys the public pools.

SERVICE ENHANCEMENTS

Three Fast Attack Vehicles (Squads) were placed into service for rapid response to non-structural fires and fire-based medical calls.

The service created eight Medical Supervisor positions to provide high-risk low volume medical response and on-street quality improvement processes. There was continued upgrading of medical skills for both paramedic and firefighter responders.

2003 FIRE PARAMEDIC SERVICE RESPONSES

Ambulance Incidents – 60,994 requests for service and 43,273 patients transported. Fire Incidents – 39,857 service requests, 3,472 fire responses and 25,642 medical responses.

COMMUNITY DEVELOPMENT INITIATIVES

Seven Community Resource Coordinators (CRCs) worked on a wide range of community development initiatives in 2003, to support the building of community capacity, and assist with quality of life improvements in neighbourhoods.

Some examples of the many projects they are involved with include: the development of the St. Vital Skateboard Park; a youth mentorship program in the Elmwood area to help young people ages 12-19 develop employment skills; a survey to address the issues of crime, vandalism, and lack of activity for youth in the River East/Transcona area; and planning for the development of a new recreational walking trail in the Seven Oaks neighbourhood.

SAFE STREETS PROGRAM TARGETS SPEEDERS

During 2003, 24 red light cameras became operational at controlled intersections. The goal is to reduce collisions and injuries by reducing red light running and excessive speeding. During the year, 171,000 tickets were issued. In 2004, 12 more cameras will be installed at City intersections.

Fire Paramedic crews responded to over 29,000 incidents

Firefighters save lives and property

COMMUNITY POLICE PROVIDE FASTER RESPONSE

The Winnipeg Police Service (WPS) completed the *Community Patrol Model Pilot Project*, designed to provide more efficient police response within three of the WPS's six policing districts.

FAMILY VIOLENCE INTERVENTION TEAM PILOT PROJECT

The *Family Violence Intervention Team Pilot Project* was a collaborative effort between two city departments where a police detective and social worker, were assigned to intervene in high-risk domestic violence cases where arrests have not been made.

The project resulted from recommendations of the City's working group on domestic violence, consisting of representatives from the City, the Province (Justice) and Community Agencies. The project has been extended for an additional six months in order to discuss with the Province the possibility of funding of a comprehensive *Family Violence Intervention Project* as a component within the existing Provincial strategy.

FOUR DISTRICT MODEL APPROVED

Winnipeg Police Service received approval from City Council to reorganize operations. This new structure, known as the *Four District Model*, reduces the number of police districts from six to four and includes the construction of three new police buildings.

WINNIPEG COMMITTEE FOR SAFETY

The Committee for Safety is a community-driven group created by Council to support neighbourhood safety. In 2003 the Committee hosted a domestic violence forum attended by 140.

A survey on safety issues was conducted with 314 inner-city youth. A wider distribution of the *Safety Tool Box* will happen in 2004.

Police Officers Cst. Maria Konuick and Cst. Gary Ducharme make the City safe for all citizens.

CHILD EXPLOITATION UNIT WINS HIGH PRAISE

In conjunction with the RCMP, the Integrated Child Exploitation Unit (I.C.E.) experienced success regarding the removal of on-line child pornography sites. The unit received an award from the International Association of Chiefs of Police (IACP) for excellence in criminal investigations. This work is considered to be a benchmark and best practice for agencies across North America.

WINNIPEG ENACTS NEW SMOKING BY-LAW

The City's new Smoking Regulation By-law came into effect July 1, 2003. This by-law differs from the previous one in that it prohibits smoking in all enclosed public places, private clubs and private functions. The COMMUNITY SERVICES DEPARTMENT's Environmental Health Services Division played a key role in implementing the by-law. Compliance has been very high. The successful implementation of the by-law was supported by well-planned marketing and enforcement strategies.

RE-LOCATION ASSISTANCE FOR TENANTS

In 2003 the COMMUNITY SERVICES DEPARTMENT responded to 18 building closures.

The immediate concern is tenant relocation. A new protocol was developed with provincial service agencies to ensure an integrated service response when dealing with multiple-tenant building closures. The protocol has been further strengthened by the inclusion of the Salvation Army and the Winnipeg Regional Health Authority.

MOSQUITO CONTROL EFFORTS KEPT BUGS AT BAY

West Nile Virus was identified in Winnipeg for the first time in the summer of 2002. It was determined to be a public health threat and required specific mosquito control actions to reduce risk. In the spring of 2003, City Council endorsed the intergovernmental collaborative *Mosquito Control Strategy – Blue Print for Action*, to ensure an *Insect Control Strategy for 2003* that reduces mosquitoes and reduces health risks. Due in part to increased larviciding, the mosquito count was held down to tolerable levels in the summer of 2003.

WINNIPEG ABORIGINAL SPORT ACHIEVEMENT CENTRE (WASAC)

WASAC, a sport and cultural program for Aboriginal children and youth, was expanded in 2003 and achieved the following:

- Formation of the WINNIPEG ABORIGINAL SPORT AND RECREATION ASSOCIATION (WASRA) to oversee the overall program.
- Expansion of fall and winter programs: *Learn to Skate; Learn to Swim, Winter Adventures* and *Youth Achievement Program*.
- Over 1,300 children were registered for the *WASAC Summer Kids Camp*.
- Over 400 children were registered for the *WASAC Fall and Winter Programs*.

BROOKSIDE CEMETERY CELEBRATED 125TH ANNIVERSARY

The City operates three cemeteries in Winnipeg. Brookside, Winnipeg's largest cemetery with 97,000 graves, celebrated its 125th Anniversary on June 15, 2003. Several activities occurred to commemorate the anniversary including:

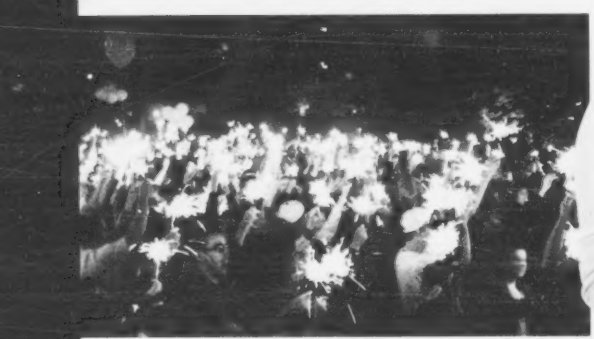
- Installation of historic bronze plaques marking the gravesites of some of the more prominent individuals buried at Brookside.
- Creation and distribution of a 125th Anniversary book entitled "*A Celebration of Life*".
- Installation of a unique Medical Memorial.
- Development of historic guided and fitness walking tours of the cemetery.

For the Enjoyment of All

RECREATION AND THE ENVIRONMENT: Winnipeg is a thriving, diverse and multicultural community. The City is rich in parks and recreation facilities providing for year-round enjoyment. Protecting this environment and improving the quality of life is a major priority

MILLENNIUM LIBRARY PROJECT

Throughout 2003, the MILLENNIUM LIBRARY was center stage in the library's planning. Early in the year, architectural plans for the building expansion were finalized. The WINNIPEG LIBRARY FOUNDATION launched its Community Campaign designed to raise the final $3 million needed for the project. The name of the building was formally changed by City Council from the CENTENNIAL LIBRARY to the MILLENNIUM LIBRARY. The library officially closed for construction to begin on November 2, 2003 and an interim branch, providing limited services, was set up in City Place Mall.



RECYCLING MADE EASIER

Starting September 2003, the City made it even easier for homeowners to recycle. There is no longer a need to sort recyclables, and all plastic containers with a recycling logo are accepted. In 2003, Winnipeg residents recycled 8% more than in 2002, and 25% more than in 2001.

TREATMENT PLANT NOW SAFER

Improvements, totaling $350,000, were made at the NORTH END WATER POLLUTION CONTROL CENTER to reduce the risk of a sewage spill. Improvements include four new watertight doors to isolate each well, new flood alarms, drainage system and emergency access ladders. Also included were a *Risk and Criticality Assessment Study* and development of an *Environmental Management System*.

MILLENNIUM LIBRARY LITERACY FOR LIFE FUND

In 2003, the LIBRARY SERVICES DIVISION, in partnership with the WINNIPEG FOUNDATION and LITERACY PARTNERS OF MANITOBA, established the LITERACY FOR LIFE FUND. This fund will be used to support family-based literacy initiatives in libraries and other literacy organizations in Winnipeg. In 2003, the library received over $25,000 in grants from the fund that were used to purchase literacy development materials.

NEW LIBRARY CATALOGUE LAUNCHED

On June 9, 2003 the library migrated from its old automated catalogue to a new web-based catalogue called *Horizon*. The new catalogue provides library users with an array of new search and retrieval functions.

LIBRARY WEBSITE UNVEILED

In an effort to provide easier access to the Internet and raise awareness of the role public libraries play in providing citizens with access, training and education about the Internet, Library Services designed a new and improved website. The new website was launched on NATIONAL WEB AWARENESS DAY, February 20, 2003 and provides user-friendly navigation tools and common design elements.

A woman of taste, Beth Grubert's Baked Expectations is one of Winnipeg's favourite ways to enjoy Osborne Village.

Libraries provide a wide variety of programming

Fishing on the banks of the Red River

ST. JOHNS LIBRARY TALKING TO THE COMMUNITY

In 2003 the Library embarked on a public consultation process with the St. Johns Library community in an effort to help revitalize this once vibrant cornerstone of the community. The purpose is to help determine what changes the branch could make in order to become a more integral and important part of this north-end community.

ARTS FUNDING AND PUBLIC ART

In 2003 City Council continued to increase arts funding by doubling funding to the arts over four years, an investment in the Manitoba Arts Stabilization program and continued support of the downtown festivals program. In 2003 City Council also passed the first ever *Public Art Policy* for the City of Winnipeg. The Policy will encourage all developers to include "public art" when building in Winnipeg.

GROWTH OF BOOK CLUBS

2003 saw a significant growth in the number of book clubs across the city. In partnership with the Friends of Winnipeg Public Library, two book clubs ran monthly at the Centennial Library. Another book club was established in the East Kildonan area. Seven other book clubs sprung up at branches throughout the city, providing the public with an opportunity to read interesting works and discuss them in a community setting.

CAROL SHIELDS MEMORIAL ESTABLISHED

In the summer of 2003, Winnipeg lost one of its most distinguished literary figures. The Library was honoured to be listed as one of the charities that people could donate to in memory of Carol Shields. Over $18,000 was raised and will be added to the Canadian literature collection in the new MILLENNIUM LIBRARY. The Auditorium in the new library will also bear the name of Carol Shields in memory of her commitment to the Winnipeg Public Library system.

WRITER IN RESIDENCE PROGRAM

For the fifth consecutive year, the library, in partnership with the WINNIPEG PUBLIC LIBRARY BOARD, and the FRIENDS OF WINNIPEG PUBLIC LIBRARY, sponsored a *Writer in Residence Program*. This year, renowned Manitoba author, Miriam Toews, working out of the St. James Library, is providing advice and guidance to budding writers from across the city.

FILM CREWS RELY ON CITY

The CITY'S FILM AND CULTURAL AFFAIRS OFFICE assisted in providing city services and access to 17 film productions in 2003. The largest was MIRAMAX's film *Shall We Dance*, starring Richard Gere, Jennifer Lopez and Susan Sarandon. Total value of film and television production in Manitoba is currently $120 million with the creation of 150 full-time jobs and 25 industry related jobs.

Snow Sculptor Gary Tessier creates art in snow across the globe, always returning to Winnipeg to warm up.

Consolidated Financial Statements
2003

Financial Statement Discussion & Analysis

REPORT FROM THE CHIEF FINANCIAL OFFICER

I am pleased to present The City of Winnipeg's 2003 consolidated financial statements, which are prepared in accordance with Canadian general accepted accounting principles. Management has also prepared the following *Financial Statement Discussion and Analysis*, which comments on how the financial resources of the City are being managed, and should be read along with the audited financial statements.

Results of Operations

The Consolidated Statement of Operations and Surplus reports the results of operations for 2003, on a comparative basis. During the year, The City of Winnipeg recorded revenues of $961.4 million and expenses of $911.0 million, which resulted in a $50.4 million increase in accumulated surpluses and reserves.

Consolidated revenues increased in 2003 by $30.5 million from 2002 mainly due to a $22.7 million increase in sales of services and regulatory fees. Commencing January 1, 2003, photo radar was introduced by the Winnipeg Police Service as a traffic safety initiative. The first year of operations generated $9.7 million in regulation revenue offset by approximately $7.8 million in expenses. The City's Utility operations experienced increased revenue of $6.4 million. This was generated by a transit revenue increase as well as higher water and sewer consumption.

Consolidated expenses grew by $16.2 million from the previous year which represents a number of increases and decreases in different areas. The major increase was the result of an additional $17.2 million being spent in protection and community services operating costs. Included in the protection and community service category are Police Service, Fire Paramedic Service, and Community Services. During 2003, these departments experienced wage increases resulting from negotiated labour settlements and increased staff complements. As previously mentioned, the Police Service had increased costs partially as a result of the photo radar operations.

The City ended the year with its property tax-supported operations recording a $0.7 million surplus which was transferred to the *Housing Rehabilitation Investment Reserve*. The budget for these operations was adopted by City Council on March 19, 2003. During the budget process, the City faced several challenges to produce a balanced budget on the basis of no tax increases. Amongst the challenges were wage pressures, general price increases, maintaining service levels to meet program needs, and infrastructure maintenance and renewal requirements. The result was a budget which embraced the City's commitment to no new borrowing for capital programs, increased funding for public safety and protection of front-line essential services. There continued to be no increase to property taxes after six years of reductions and freezes, and the business tax rate was maintained at its 1996 level.

Debt Management

At the beginning of 2003 the City refinanced $97.2 million of debentures at 4.88% relating to two sinking fund debentures that matured in 2000 and 2002 and had carried interest rates of 11.75% and 8.87% respectively. In addition, two sinking fund debentures originally issued in 1988 and 1993 in the total amount of $206.0 million at rates of 10.25% and 8.50% respectively, matured in 2003. One of these issues, net of sinking fund equity, was refinanced on March 24, 2004 in the amount of $46.4 million at a rate of 4.07%.

During October 2003, Moody's Investors Service raised the City's credit rating from Aa3 to Aa2. The City's fiscal restraint in controlling expenditures while maintaining service levels, and pay-as-you-go financing for tax-supported capital expenditures were among the reasons cited for an improved credit rating.

Since 1998, the City has had a policy of not issuing new tax-supported debt. Under its current capital plan, all new tax-supported projects are financed internally. As a result, the level of tax-supported debt is expected to decrease continuously over the next few years along with the associated debt-servicing costs.

On the utility side, the City anticipates issuing $102.0 million in debt in the near future to finance a water treatment plant estimated to cost $214.0 million. *A Water Treatment Reserve*, which was established on December 17, 1993, has a balance at December 31, 2003 of $79.1 million. It is anticipated that this reserve will fund 50% of the cost for this project.

Capital

During 2003, the City spent $164.4 million on capital projects (2002 - $157.5 million), including $110.1 million for tax-supported projects. The $110.1 million was invested primarily in regional and residential streets, the completion of the Provencher Bridge and land drainage.

Capital project costs were financed from several sources, with funding primarily from the City's current tax levies, various capital reserves, and grants from other levels of governments.

Reserves

The City of Winnipeg builds reserves to meet specific future operating and capital expense requirements, and to provide for contingencies. Reserve balances have increased by $4.2 million overall from the prior year. The *City's Capital Reserves* grew by $11.1 million. These reserves were established to finance current and anticipated future capital projects, which reduce or eliminate the need to issue debt. *Special Purpose Reserves*, which were established to account for the use of designated revenue for specific purposes, such as a *Snow Clearing Reserve*, declined by $9.4 million.

Stabilization Reserves were created to offset the effect of major unexpected expenses on the current operations of the City or fund deficits recorded in the property tax-supported operating budget. During 2003, these reserves increased by $2.3 million and are anticipated to grow until they reach a targeted level of 10% of the property tax-supported adopted budget expenses.

Investment Policy

During September 2003, Council adopted *The City of Winnipeg Investment Policy*. The purpose of the policy is to provide the City with an approved framework for managing its investment program. This policy provides direction and an accountability for administration in the execution and management of investment transactions. It also incorporates industry's best practices to ensure the safety of principal and liquidity of the investments.

The *Investment Policy* will be reviewed annually in consideration of meeting the City's financial goals, and achieving safety of capital taking into account regulatory standards, technology, and industry best practices.

Financing Infrastructure

As with other municipalities in North America, The City of Winnipeg is experiencing a steady decline in the condition of its infrastructure. Over the past several years preservation of the infrastructure has been seriously strained due to lack of funding. The City undertook a comprehensive review of its infrastructure and found that there is a considerable deferred maintenance component of the infrastructure that will require future consideration. To address deferred maintenance, the City is seeking new funding mechanisms that involves other levels of government.

In closing I would like to thank all those who contributed to the preparation of the financial statements.

Robert P. Gannon, Chief Financial Officer

Responsibility for Financial Reporting

The accompanying Consolidated Financial Statements and all other information contained in this Annual Report are the responsibility of the management of The City of Winnipeg. The preparation of periodic financial statements involves the use of estimates and approximations because the precise determination of financial information frequently depends on future events. These Consolidated Financial Statements have been prepared by management within reasonable limits of materiality and within the framework of Canadian generally accepted accounting principles for governments established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

In carrying out its responsibilities, management maintains appropriate systems of internal and administrative controls designed to provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly accounted for and safeguarded, and that financial information produced is relevant and reliable.

Prior to their submission to Council, the Consolidated Financial Statements are reviewed and approved by the Audit Committee – the Mayor, the Deputy Mayor, and the chairpersons of Council's Standing Committees. In addition, the Audit Committee meets periodically with management and with both the City's internal and external auditors to approve the scope and timing of their respective audits, to review their findings and to satisfy itself that their responsibilities have been properly discharged. The Committee is readily accessible to external and internal auditors.

Ernst & Young LLP, Chartered Accountants, as the City's appointed external auditors, have audited the Consolidated Financial Statements. The Auditors' Report is addressed to the Mayor and members of Council and appears on the following page. Their opinion is based upon an examination conducted in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as they consider necessary to obtain reasonable assurance that the Consolidated Financial Statements are free of material misstatement and present fairly the financial position and results of operations of the City in accordance with Canadian generally accepted accounting principles.

Robert P. Gannon, Chief Financial Officer

Auditors' Report

To the Mayor and Members of City Council of
The City of Winnipeg

We have audited the consolidated statement of financial position of **The City of Winnipeg** as at December 31, 2003 and the consolidated statements of operations and surplus, reserve funds, cash flows and change in net financial liabilities for the year then ended. These consolidated financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of **The City of Winnipeg** as at December 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Winnipeg, Canada,

April 2, 2004

Chartered Accountants

Consolidated Statement of Financial Position

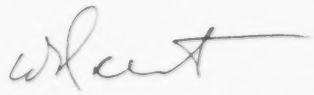
As at December 31
(in thousands of dollars)

	2003	2002
		(Restated Note 21)
Financial Assets		
Cash and short-term investments	$ 361,951	$ 313,781
Accounts receivable (Note 3)	122,607	107,096
Investments (Note 4)	365,890	359,240
	850,448	780,117
Liabilities		
Notes payable (Note 5)	113,874	85,650
Accounts payable and accrued liabilities (Note 6)	127,979	146,721
Deferred revenue	8,373	6,171
	250,226	238,542
Debt (Note 7)	494,672	496,292
Other liabilities (Note 8)	44,514	41,488
Retirement allowance, vacation and other liabilities (Note 9)	112,910	102,485
	902,322	878,807
Net Financial Liabilities	(51,874)	(98,690)
Non-Financial Assets		
Tangible capital assets (Note 10)	930,929	927,507
Inventories	10,372	10,037
Prepaid expenses	3,571	3,086
Deferred charges	1,187	1,819
	946,059	942,449
Accumulated Surplus and Reserves	$ 894,185	$ 843,759
Commitments and contingencies (Notes 11, 14 and 18)		
Comprised of:		
Surplus (Note 12)	$ 596,284	$ 550,088
Reserves (Note 13)	297,901	293,671
	$ 894,185	$ 843,759

See accompanying notes to the consolidated financial statements

Approved on behalf of the Audit Committee

Glen Murray – Mayor



Bill Clement – Chairperson, Fiscal Issues Committee

Consolidated Statement of Operations and Surplus

For the years ended December 31
(in thousands of dollars)

	2003	2002
		(Restated Note 21)
REVENUES		
Taxation (Note 14)	$ 489,996	$ 484,220
Sales of services and regulatory fees (Note 15)	318,605	295,893
Government grants and transfers (Note 16)	97,082	94,026
Interest	45,504	48,058
Land sales and other revenue	10,242	8,711
Total Revenues	961,429	930,908
EXPENSES (Note 17)		
Protection and community services	281,683	264,492
Utility operations	219,178	223,814
Public works	205,897	202,087
General government	64,486	66,826
Finance and administration	56,296	53,884
Property and development	53,608	53,403
Civic corporations	29,855	30,307
Total Expenses	911,003	894,813
Excess Revenues Over Expenses	50,426	36,095
Allocated (to) from Reserves	(4,230)	12,084
	46,196	48,179
Gain on sale of Winnipeg Hydro (Note 4)	–	227,476
CHANGE IN SURPLUS	46,196	275,655
SURPLUS, BEGINNING OF YEAR	550,088	274,433
SURPLUS, END OF YEAR (Note 12)	$ 596,284	$ 550,088

See accompanying notes to the consolidated financial statements

Consolidated Statement of Reserve Funds

For the years ended December 31
(in thousands of dollars)

	2003	2002
		(Restated Note 21)
INCREASE:		
Taxation	$ 28,383	$ 16,487
Transfer from operating and capital funds	26,857	49,382
Interest	11,105	10,334
Other revenue	7,467	6,207
	73,812	82,410
DECREASE:		
Expended during the year		
Transfer to operating and capital funds	54,012	77,756
Expended from Reserves	15,570	16,738
	69,582	94,494
Allocated from (to) operations	4,230	(12,084)
BALANCE, BEGINNING OF YEAR	293,671	305,755
BALANCE, END OF YEAR (Note 13)	$ 297,901	$ 293,671

See accompanying notes to the consolidated financial statements

Consolidated Statement of Cash Flows

For the years ended December 31
(in thousands of dollars)

	2003	2002 (Restated Note 21)
Net Inflow (Outflow) of Cash Related to the Following Activities:		
Operating		
Excess Revenues Over Expenses	$ 50,426	$ 36,095
Non-cash charges to operations		
Amortization	77,456	81,594
Other	15,243	4,911
Working capital from operations	143,125	122,600
Net change in working capital other than cash assets	(32,871)	14,116
Cash provided by operating transactions	110,254	136,716
Capital		
Acquisition of tangible capital assets	(109,890)	(94,502)
Government of Canada capital grants	5,435	9,427
Province of Manitoba capital grants	22,352	19,682
	(82,103)	(65,393)
Financing		
Interest on funds on deposit with The Sinking Fund Trustees of The City of Winnipeg ("The Sinking Fund Trustees")	(10,790)	(19,432)
Debenture and serial debt retired	(214,212)	(87,845)
Sinking fund investments applied to debt redemption	155,451	45,274
Sinking fund debenture installments	(27,274)	(30,873)
Serial debt issued	97,180	–
Other	(1,970)	6,979
	(1,615)	(85,897)
Investing		
Purchase of investments	(6,590)	(2,104)
Increase (Decrease) in cash assets	19,946	(16,678)
Cash assets, beginning of year	228,131	244,809
Cash assets, end of year	$ 248,077	$ 228,131
Components of Cash Assets		
Cash and short-term investments	$ 361,951	$ 313,781
Notes payable	(113,874)	(85,650)
	$ 248,077	$ 228,131

See accompanying notes to the consolidated financial statements

Consolidated Statement of Change in Net Financial Liabilities

For the years ended December 31
(in thousands of dollars)

	2003	2002 (Restated Note 21)
Excess Revenues Over Expenses	$ 50,426	$ 36,095
Gain on sale of Winnipeg Hydro (Note 4)	–	227,476
	50,426	263,571
Amortization of tangible capital assets	77,456	81,594
Province of Manitoba grants for capital asset purchases	22,352	19,682
Government of Canada grants for capital asset purchases	5,435	9,427
Change in other non-financial assets	1,037	(2,627)
Sale of Winnipeg Hydro non-financial assets	–	196,501
Acquisition of tangible capital assets	(109,890)	(94,502)
Decrease in Net Financial Liabilities	46,816	473,646
Net Financial Liabilities, Beginning of Year	(98,690)	(572,336)
Net Financial Liabilities, End of Year	$ (51,874)	$ (98,690)

See accompanying notes to the consolidated financial statements

Notes to the Consolidated Financial Statements

As at December 31, 2003
(in thousands of dollars, except as noted)

1. Status of The City of Winnipeg

The City of Winnipeg ("the City") is a municipality which was created on January 1, 1972 pursuant to **The City of Winnipeg Act**, a statute of the Legislature of the Province of Manitoba ("the Province"). The City continued as a body corporate by virtue of the enactment by the Province of **The City of Winnipeg Charter** on January 1, 2003. The City provides municipal services such as police, fire, ambulance, public works, urban planning, parks and recreation, library and other general government operations. The City owns and operates a number of public utilities, has several designated special purpose reserves and provides funding support for other financial entities involved in economic development, recreation, entertainment, convention, tourism and housing activities.

2. Summary of Significant Accounting Policies

These consolidated financial statements have been prepared by management in accordance with Canadian generally accepted principles for governments established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. The significant accounting policies are summarized as follows:

a) Consolidation principles and basis of presentation

The consolidated financial statements of the City include the assets, liabilities, reserves, surpluses/deficits, revenues and expenses of those City funds and governmental functions or entities which have been determined to comprise a part of the aggregate City operations based upon ownership or control exercised by the City. Interfund and intercorporate balances and transactions have been eliminated except for amounts related to services offered commercially including utility charges. In 2003, two new funds (*) were added and the Equipment Replacement Reserve was eliminated.

The consolidated financial statements include the following:

Capital Reserves:
- Waterman Renewal Reserve
- Combined Sewer Renewal Reserve
- Wastewater Sewer Renewal Reserve
- Water Treatment Reserve
- Environmental Projects Reserve
- Brady Landfill Site Rehabilitation Reserve
- Golf Course Reserve
- Library Reserve
- Transit Bus Replacement Reserve
- Concession Equipment Replacement Reserve
- Computer Replacement Reserve
- Aqueduct Rehabilitation Reserve

Special Purpose Reserves:
- Workers Compensation Reserve
- Perpetual Maintenance Fund - Brookside Cemetery
- Perpetual Maintenance Fund - St. Vital Cemetery
- Perpetual Maintenance Fund - Transcona Cemetery
- Insurance Reserve

Special Purpose Reserves (continued):
- Contributions in Lieu of Land Dedication Reserve
- Land Operating Reserve
- Recreation Programming Reserve
- Snow Clearing Reserve
- Idea Bank Reserve
- Commitment Reserve
- Heritage Investment Reserve
- Housing Rehabilitation Investment Reserve
- Economic Development Investment Reserve
- Assiniboine Park Enterprises Reserve
- General Purpose Reserve

Stabilization Reserves:
- Fiscal Stabilization Reserve
- Mill Rate Stabilization Reserve

Other Funds:
- General Capital Fund
- General Revenue Fund
- General Revenue Enterprises Fund
- Equity in Capital Assets
- Transit System

Other Funds (continued):
- Waterworks System
- Sewage Disposal System
- Solid Waste Disposal System
- Equipment and Material Services
- Civic Accommodations Fund
- Building Services Fund
- Animal Services - Special Operating Agency
- Glacial Sand and Gravel - Special Operating Agency
- Golf Services – Special Operating Agency
- Fleet Management - Special Operating Agency*

Other Entities:
- Winnipeg Public Library Board
- The Convention Centre Corporation
- Destination Winnipeg Inc.
- Winnipeg Enterprises Corporation (May 31st Year End)
- Winnipeg Housing Rehabilitation Corporation (March 31st Year End)
- CentreVenture Development Corporation*

The employees' pension and group life insurance funds of the City are administered on behalf of the pension and group life insurance plan participants by the Board of Trustees of the Winnipeg Civic Employees' Benefits Program (Pension Fund) for the payment of pensions and life insurance benefits and accordingly are not included in the consolidated financial statements. In addition, certain trust funds administered by the City, amounting to $0.2 million (2002 – $0.2 million), are not included in the consolidated statement of financial position nor have their operations been included in the consolidated statements of operations and change in net financial liabilities.

Separate financial statements for each of the above-noted entities, including the pension, group life insurance and trust funds, are included in the 2003 Detailed Financial Statements Report, a companion document to the City's 2003 Annual Report and Consolidated Financial Statements.

2. Summary of Significant Accounting Policies (continued)

b) Basis of accounting

The consolidated financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the creation of a legal obligation to pay.

c) School taxes

The City is required by **The Public Schools Act** to bill, collect and remit provincial education support levies in respect of residential and other properties on behalf of the Province, and school division special levies on behalf of school divisions. The City has no jurisdiction or control over the school divisions' operations or their mill rate increases. Therefore, the taxation, other revenues, expenses, assets and liabilities with respect to the operations of school boards are not reflected in these consolidated financial statements.

d) Short-term investments

Short-term investments consist of bankers' acceptance and term deposits and are recorded at cost, which approximates their quoted market value. These investments have varying maturities up to March 30, 2004, and have an effective average interest rate of 2.7% (2002 – 2.8%).

e) Investments

Bonds and debentures are carried at amortized cost. Discounts and premiums arising on the purchase of these investments are amortized over the remaining terms to maturity with annual amortization computed at amounts which, when combined with actual income received, result in a constant effective yield on the amortized book value.

Bond residues and coupons are carried at cost, plus accrued interest. Interest is accrued on the book value of the investments at a rate equivalent to the effective yield of each investment.

f) Assessment appeal costs

The City accrues a liability to reflect the amount of future payments related to the assessment period, net of certain assessments, which will be deferred and amortized over the balance of the reassessment period.

g) Solid waste landfills

The estimated costs to close and maintain solid waste landfill sites are based on estimated future expenses in current dollars, adjusted for estimated inflation, and are charged to expense as the landfill sites' capacity is used.

h) Environmental provisions

The City provides for the cost of compliance with environmental legislation when conditions are identified which indicate non-compliance with environmental legislation and costs can be reasonably determined. The estimated amounts of future restoration costs are reviewed regularly, based on available information and governing legislation.

i) Deferred revenue

Certain amounts are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. In addition, certain user charges and fees are collected for which the related services have yet to be performed. These amounts are recognized as revenue in the fiscal year in which the related expenses are incurred or services performed.

j) Employee benefit plans

The costs of pensions and other retirement benefits are actuarially determined using the projected benefits method prorated on services and management's best estimate of retirement ages of employees, salary escalation and plan investment performance. Past service costs from plan amendments are amortized on a straight-line basis over the average remaining service period of employees active at the date of amendment. Actuarial gains and losses are amortized on a straight-line basis over the average remaining service period.

2. Summary of Significant Accounting Policies (continued)

k) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the Change in Net Financial Liabilities for the year.

i) Tangible capital assets

Tangible capital assets, including land, financed by debt are initially recorded at cost and amortized in the consolidated statement of operations and surplus at an amount equal to the principal repayments of the debt. Other, generally smaller, acquired tangible capital assets are budgeted for and charged to expenses in the consolidated statement of operations and surplus. Assets financed by debentures that are retired prior to maturity are amortized over the remaining expected useful life of the asset. In general, other assets are expensed in the year of purchase.

Commencing in 2003, tangible capital assets of the Waterworks System Fund are recorded at cost and amortized over their expected useful life. Prior to this change, these assets were expensed based on the funding arrangements. This change has been applied prospectively.

Cost includes certain interest and overhead expenses incurred during the period the asset is acquired, constructed or developed. Contributions in aid of construction are recorded as a reduction in the cost of the tangible capital asset.

ii) Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. Tangible capital assets acquired under a capital lease are recorded at the amount of the related obligation. These capital leases are amortized based upon the principal portion of the capital lease payments in the consolidated statement of operations and surplus. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

iii) Inventories

Inventories are recorded at the lower of cost and replacement cost.

iv) Other deferred charges

The cost of certain initiatives that are long-term in nature and/or provide future economic or operational benefits to the City are deferred and amortized over the future periods to which they relate.

l) Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions on such areas as employee benefits, assessment appeals and environmental provisions. These estimates and assumptions are based on the City's best information and judgment and may differ significantly from actual results.

3. Accounts Receivable

	2003	2002
Property, payments-in-lieu and business taxes receivable	$ 42,761	$ 47,978
Allowance for property, payments-in-lieu and business tax arrears	(5,056)	(4,023)
	37,705	43,955
Trade accounts and other receivables	64,222	50,308
Province of Manitoba	20,797	10,826
Government of Canada	2,410	4,089
Allowance for doubtful accounts	(2,527)	(2,082)
	84,902	63,141
	$ 122,607	$ 107,096

4. Investments

	2003	2002
Marketable securities:		
Provincial bonds, bond residues and coupons	$ 48,237	$ 35,590
Government of Canada bonds, bond residues and coupons	40,329	38,081
Other	3,000	3,000
	91,566	76,671
Manitoba Hydro long-term receivable	271,483	279,701
Other investments	2,841	2,868
	$ 365,890	$ 359,240

The aggregate market value of marketable securities at December 31, 2003 is $95.3 million (2002 – $81.8 million).

On February 27, 2002, City Council approved Manitoba Hydro's ("Hydro") proposal to purchase Winnipeg Hydro. The terms of the proposal included annual payments to the City of $25 million per annum commencing in 2002 and for the next four years thereafter; $20 million per annum for years six-nine; and $16 million for years ten in perpetuity.

The Manitoba Hydro investment represents the sum of the discounted future cash flows of the above annual payments to the City discounted at the City's 2002 average long-term borrowing rate of 6%.

5. Notes Payable

	2003	2002
Winnipeg Civic Employees' Benefits Program (Pension Fund)	$ 91,939	$ 35,686
Winnipeg Police Pension Plan	16,410	27,529
Civic Employees' Group Life Insurance Plan	3,670	4,761
The Sinking Fund Trustees of The City of Winnipeg	1,851	17,668
Council Members' (Pre-1972) Pension Plan	4	6
	$ 113,874	$ 85,650

The City finances short-term borrowing requirements from related entities at market rates of interest, which have an effective average interest rate of 2.7% (2002 – 2.7%). These notes are callable by the issuers.

6. Accounts Payable and Accrued Liabilities

	2003	2002
Accrued liabilities	$ 73,188	$ 73,999
Trade accounts payable	39,803	50,146
Accrued interest payable	14,988	22,576
	$ 127,979	$ 146,721

7. Debt

Sinking fund debentures outstanding

Term	Maturity Date	Rate of Interest	Series	By-Law No.	2003	2002
1988-2003	Feb. 23	10.250	VF	4783/88	$ –	$ 90,000
1993-2003	May 19	8.500	VP	6163/93	–	116,000
1991-2004	Nov. 1	10.000	VL	5779/91	**32,985**	32,985
1990-2005	Oct. 1	11.700	VI	5507/90	**66,424**	66,424
1999-2009	Feb. 2	5.350	VV	7368/99	**50,000**	50,000
1989-2009	Dec. 14	10.000	VH	5286/89	**85,500**	85,500
1993-2013	Feb. 11	9.375	VN	6090/93	**90,000**	90,000
1994-2014	Jan. 20	8.000	VQ	6300/94	**85,000**	85,000
1995-2015	May 12	9.125	VR	6620/95	**88,000**	88,000
1997-2017	Nov. 17	6.250	VU	7000/97	**30,000**	30,000
					527,909	733,909
Equity in Sinking Fund					**(245,709)**	(363,097)
Net sinking fund debentures outstanding					**282,200**	370,812

Other debt outstanding

Serial and installment debt issued by the City with varying maturities up to 2013 and a weighted average interest rate of 5.37% (2002 – 5.94%)	**143,433**	54,466
Mortgages and bank loans incurred primarily by Winnipeg Enterprises Corporation and Winnipeg Housing Rehabilitation Corporation with varying maturities up to 2018 and a weighted average interest rate of 8.58% (2002 – 8.62%)	**43,120**	43,666
Capital lease obligations (Note 7c)	**25,919**	27,348
	$ 494,672	$ 496,292

Debt to be retired over the next five years:

	2004	2005	2006	2007	2008	2009 +
Sinking fund debentures	$ 32,985	$ 66,424	$ –	$ –	$ –	$ 428,500
Other debt	18,778	19,501	20,493	31,351	12,371	109,978
	$ 51,763	$ 85,925	$ 20,493	$ 31,351	$ 12,371	$ 538,478

a) Sinking fund assets have a market value of $271.2 million (2002 – $386.3 million). Sinking fund assets are comprised of government and government-guaranteed bonds and debentures, which include City of Winnipeg debentures with a carrying value of $81.3 million (2002 – $99.9 million) and a market value of $87.7 million (2002 – $108.4 million).

7. Debt (continued)

b) **The City of Winnipeg Charter** requires the City to make annual payments to The Sinking Fund on debt outstanding as at December 31, 2002, and subsequent to this date levies on new debentures issued will be managed by the City. The City is currently paying three percent or greater on its outstanding sinking fund debentures. These annual payments are invested for the retirement of the debenture issues on their maturity dates.

Sinking fund debenture issues provide for full sinking fund at maturity except for the following debenture which, as a result of the levies being provided and the terms of the issue, will have a sinking fund deficiency requiring the issue to be refinanced at maturity.

Year of Maturity	Debenture By-Law	Issued Amount	Maturity Shortfall
2009	7368/99	$ 50,000	$ 30,981

The following sinking fund debenture matured with a sinking fund deficiency. As anticipated, it will be refinanced at a later date.

Year of Maturity	Debenture By-Law	Issued Amount	Amount to be Refinanced
2003	6163/93	$ 116,000	$ 46,392

c) Future minimum lease payments under the capital leases together with the balance of the obligation due under the capital leases are as follows:

	Capital Leases
2004	$ 3,550
2005	3,323
2006	3,299
2007	3,707
2008	3,275
Thereafter	37,057
Total future minimum lease payments	54,211
Amount representing interest at a weighted average rate of 9.40%	(28,292)
Capital lease liability	$ 25,919

d) Certain City of Winnipeg debentures are held as investments in the two pension plans for the employees of the City, as follows:

	2003	2002
Winnipeg Civic Employees' Benefits Program (Pension Fund)	**$ 32,275**	$ 32,275
Winnipeg Police Pension Plan	**4,000**	4,000
	$ 36,275	$ 36,275

e) Interest on debt recorded in the Statement of Operations in 2003 is $65.4 million (2002 – $76.2 million).

f) Cash paid for interest during the year is $72.9 million (2002 – $78.5 million).

8. Other Liabilities

	2003	2002
Deferred:		
Other deferred liabilities	$ 24,020	$ 22,571
Developer deposits	7,455	6,902
Development agreement paybacks	2,039	2,015
	33,514	31,488
Environmental liabilities (Note 18)	11,000	10,000
	$ 44,514	$ 41,488

Included in environmental liabilities is $10.6 million (2002 – $8.5 million) of the estimated total landfill closure and post closure care expenses. The estimated liability for these expenses is recognized as the landfill site's capacity is used. Estimated total expenses represent the sum of the discounted future cash flows for closure and post closure care activities discounted at the City's average long-term borrowing rate of 6.0%.

Landfill closure and post closure care requirements have been defined in accordance with the **Environmental Act** and include final covering and landscaping of the landfill, pumping of ground, methane gas and leachate management, and ongoing environmental monitoring, site inspection and maintenance. The reported liability is based on estimates and assumptions with respect to events extending over a 100 year period using the best information available to management. Future events may result in significant changes to the estimated total expenses, capacity used or total capacity and the estimated liability, and would be recognized prospectively, as a change in estimate, when applicable.

The estimated remaining capacity of the City's one remaining landfill, the Brady Landfill Site, is 97% of its total estimated capacity and its estimated remaining life is 100 years, after which perpetual post closure maintenance is estimated.

The Brady Landfill Site Rehabilitation Reserve was established for the purpose of providing funding for the future development of the Brady Landfill Site. The reserve is financed through a transfer from the Solid Waste Disposal Fund and is based upon residential and commercial tonnes. As at December 31, 2003, the reserve had a balance of $1.6 million (2002 – $1.3 million).

9. Retirement Allowance, Vacation and Other Liabilities

	2003	2002
Retirement allowance - accrued obligation	$ 72,963	$ 69,136
Unamortized net actuarial loss	(4,745)	(4,110)
Retirement allowance - accrued liability	68,218	65,026
Vacation	36,478	32,823
Other	8,214	4,636
Retirement allowance, vacation and other liabilities	112,910	102,485
Accrued liabilities recorded in the Funds' financial statements	(5,185)	(3,843)
Unfunded retirement allowance, vacation and other liabilities (Note 12)	$ 107,725	$ 98,642

a) Under the retirement allowance plan (including certain sick leave credits) for the majority of employees of the City, unused sick leave credits accumulate and employees with specified minimum service requirements become entitled to a cash payment upon retirement, death or termination of service under certain conditions (not resignation). This liability was actuarially calculated as at December 31, 2003. The liability excludes net actuarial losses amortized on a straight-line basis over 11.2 years, which represents the expected average remaining service life of the employee group. Amortization is calculated beginning in the year following the year of occurrence of the actuarial gains or losses.

b) Employees accrue vacation credits, which together with unused holidays from previous years, generally become a charge to operations in the year that they are earned.

c) The City operates its workers compensation program on a self-insured basis. In lieu of paying premiums to the Workers Compensation Board of Manitoba, the City pays actual costs incurred plus an administration charge. The City has a responsibility regarding future costs (such as compensation, rehabilitation, medical aid, pension awards and administration) on existing claims and incurred but not reported claims.

10. Tangible Capital Assets

	2003	2002
Tax supported municipal structures, facilities and initiatives:		
Streets and bridges	**$ 337,544**	$ 321,596
Core area initiative and other special projects	**164,252**	162,598
Civic accommodations, equipment and other property	**108,123**	100,967
Culture and recreation facilities	**57,665**	57,530
Land drainage sewers	**57,593**	63,484
Protection facilities	**28,346**	28,003
Public transportation vehicles and facilities	**24,974**	27,527
Health and social development facilities	**5,167**	5,718
Local improvements	**3,734**	4,614
	787,398	772,037
Self supporting entities:		
Sewage collection, treatment and disposal facilities	**88,757**	96,174
Water supply and distribution facilities	**48,032**	51,910
Solid waste collection and disposal facilities	**6,742**	7,386
	143,531	155,470
	$ 930,929	$ 927,507

Capital assets are stated at cost less accumulated amortization. Accumulated amortization at December 31, 2003 is $1,090.5 million (2002 – $1,021.9 million).

11. Commitments and Contingencies

The following significant commitments and contingencies existed at December 31, 2003:

a) The City has entered into a number of lease agreements mainly for the lease of accommodations for civic offices and office equipment. Future minimum lease payments totalling $17.6 million are as follows:

	Operating Leases
2004	$ 3,938
2005	3,434
2006	3,254
2007	2,588
2008	1,840
Thereafter	2,567

b) The City is a defendant in four significant lawsuits as at December 31, 2003. At this time the ultimate liability is not determinable. Other contingent liabilities consisting of routine claims for street and sidewalk accidents, property damage, etc. will be accounted for as revenue or expense in the period which the settlement occurs.

c) The City has also unconditionally guaranteed the payment of principal and interest on capital improvement loans for several community centres. The outstanding balance on these loans as at December 31, 2003 is $5.6 million (2002 – $8.5 million).

12. Surplus

Consolidated surplus consists of the following individual fund surpluses/(deficits):

	2003	2002
Appropriated:		
Equity in Capital Assets	$ 305,951	$ 274,317
Sewage Disposal System	23,870	16,726
Waterworks System	7,359	3,326
General Capital Fund	1,247	1,128
	338,427	295,497
Unappropriated:		
Unamortized gain on Winnipeg Hydro	271,483	279,701
Waterworks System	27,779	24,620
Sewage Disposal System	24,029	27,302
Fleet Management – Special Operating Agency	19,265	–
Solid Waste Disposal	12,626	14,423
CentreVenture Development Corporation	9,222	5,495
The Sinking Fund Trustees of The City of Winnipeg	5,144	7,100
General Revenue Enterprises Fund	4,447	4,247
Equipment and Material Services	2,643	850
Other	(56)	(505)
	376,582	363,233
Unfunded:		
Environmental liabilities (Note 8)	(11,000)	(10,000)
Retirement allowance, vacation and other liabilities (Note 9)	(107,725)	(98,642)
	(118,725)	(108,642)
	$ 596,284	$ 550,088

The consolidated surplus represents the City's combined operating and capital fund balances. Separate disclosure of the operating and capital funds has not been presented as this information is not readily available.

Included in Accumulated Surplus and Reserves is Equity in Tangible Capital Assets which is determined as follows:

	2003	2002
Non-financial assets	$ 946,059	$ 942,449
Debt (Note 7)	(494,672)	(496,292)
	451,387	446,157
Other surplus and reserve balances	442,798	397,602
Accumulated Surplus and Reserves	$ 894,185	$ 843,759

13. Reserves

Consolidated reserves consist of the following restricted reserves:

	2003	2002
Capital Reserves:		
Water Treatment Reserve	$ 79,073	$ 65,433
Environmental Projects Reserve	39,175	32,280
Combined Sewer Renewal Reserve	21,917	16,539
Other	6,344	5,879
Library Reserve	3,199	3,132
Aqueduct Rehabilitation Reserve	1,949	2,679
Transit Bus Replacement Reserve	1,147	4,659
Equipment Replacement Reserve	–	11,143
	152,804	141,744
Special Purpose Reserves:		
General Purpose Reserve	16,923	26,082
Perpetual Maintenance Fund – Brookside Cemetery	9,282	9,045
Snow Clearing Reserve	9,161	8,845
Heritage Investment Reserve	8,723	7,329
Insurance Reserve	7,145	6,536
Land Operating Reserve	6,697	4,773
Economic Development Investment Reserve	5,608	7,072
Workers Compensation Reserve	5,605	5,088
Commitment Reserve	5,247	8,186
Other	3,719	3,951
Contributions in Lieu of Land Dedication Reserve	2,405	2,609
Housing Rehabilitation Investment Reserve	1,849	2,227
	82,364	91,743
Stabilization Reserves:		
Fiscal Stabilization Reserve	34,246	33,128
Mill Rate Stabilization Reserve	26,342	25,151
	60,588	58,279
Other Reserves	2,145	1,905
	$ 297,901	$ 293,671

14. Taxation

	2003	2002
Municipal and school property taxes	$ 760,145	$ 750,120
Payments-in-lieu of property (municipal and school) and business taxes	47,643	49,412
	807,788	799,532
Payments to Province and school divisions	(425,053)	(414,140)
Net property taxes and payments-in-lieu of property and business taxes available for municipal purposes	382,735	385,392
Business tax and license-in-lieu of business tax	60,853	62,564
Local improvement and frontage levies	28,365	17,947
Electricity and gas sales taxes	15,240	15,257
Amusement tax and mobile home license	2,803	3,060
	$ 489,996	$ 484,220

The property tax roll includes school taxes of $399.3 million (2002 – $387.2 million) assessed and levied on behalf of the Province of Manitoba and school divisions. Payments-in-lieu of school taxes assessed in 2003 totalled $25.7 million (2002 – $27.0 million) and are treated the same as school taxes. School taxes and payments-in-lieu of school taxes are remitted to the Province and school divisions based upon a formula and schedule set by the Province of Manitoba. If property taxes are reduced due to an assessment reduction the City is required by legislation to fund the repayment of both the municipal and school taxes with applicable interest.

15. Sales of Services and Regulatory Fees

	2003	2002
Water sales and sewage services	$ 145,643	$ 141,694
Other sales of goods and services	88,108	82,236
Transit fares	49,491	47,620
Regulatory fees	35,363	24,343
	$ 318,605	$ 295,893

16. Government Grants and Transfers

	2003	2002
Province of Manitoba grants:		
Tax sharing	$ 47,343	$ 47,343
Ambulance, libraries and other	27,759	25,370
Unconditional	19,887	19,888
Transit	17,354	16,854
Support	8,169	7,843
Support for Provincial programs	(23,650)	(23,500)
	96,862	93,798
Government of Canada grants:		
Canada Mortgage and Housing Corporation	174	177
Dutch elm disease program, job training and other	46	51
	220	228
	$ 97,082	$ 94,026

17. Expenses by Object

	2003	2002
Salaries and benefits	$ 465,442	$ 433,185
Goods and services	290,573	283,703
Debt repayment and interest	133,537	143,856
Grants and other expenses	21,451	34,069
	$ 911,003	$ 894,813

18. Environmental Liabilities

In 2003, the City has accrued an overall liability for environmental matters in the amount of $11.0 million (2002 – $10.0 million) which represents management's best estimate of this liability. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

19. Pension Costs and Obligations

a) Winnipeg Civic Employees' Benefits Program

Effective January 1, 2003, the restructuring of the City of Winnipeg's Employee Benefits Program was completed with The Winnipeg Civic Employees' Benefits Program becoming jointly trusteed. The Board of Trustees, representing Program members and employers, is responsible for overseeing the management of the Program, including the investment of assets and administration of the Program. The Program is a multi-employer contributory defined benefit program, providing pension and disability benefits to all City of Winnipeg employees, other than police officers, and to employees of certain other participating employers. Program members are currently required to make contributions of 6.5% of Canada Pension Plan earnings and 7.5% of pensionable earnings in excess of Canada Pension Plan earnings. The City and participating employers are required to make matching contributions. In the event of unfavourable financial experience, Program member and employers contributions can be increased, on an equal basis, to a rate not exceeding 8% of pensionable earnings.

An actuarial valuation of the Program was made at January 1, 2003, which indicated an actuarial surplus of $186.2 million. The Pension Trust Agreement specifies how actuarial surpluses can be used but does not attribute surplus to individual employers. However, a portion of actuarial surpluses is allocated to a City Account that the City and other participating employers may use to finance reductions in their contributions.

The balance of the City Account at December 31, 2003 is $123.8 million (2002 – $91.8 million). Total contributions by the City to the Program in 2003 were $8.5 million (2002 – $6.5 million) which were expensed as incurred.

b) Winnipeg Police Pension Plan

Effective January 1, 2003, the City entered into an agreement with its two Police Associations concerning the sharing of surpluses and risks under the Winnipeg Police Pension Plan. Under the terms of the agreement, the existing Regular Account (which financed the Plan's defined pension benefits other than cost-of-living adjustments) and the Supplementary Account (which financed cost-of-living adjustments to pensioners) were merged into a single account and the actuarial surplus was used to fully fund future cost-of-living adjustments on all accrued pension and deferred pension benefits at the rate of 75% of the inflation rate, as well as establish a contribution stabilization reserve to maintain the City's contribution rate at 8% of pensionable earnings, which is the same rate as that which police employees contribute to the Plan. Future actuarial surpluses, over and above those required to fully fund future cost-of-living adjustments to pensions at 75% of the inflation rate and the contribution stabilization reserve sufficient to maintain the City's contribution rate at 8% of pensionable earnings, will be shared equally between the City and the Plan members. The City will remain responsible for ensuring the financial solvency of the Plan with respect to benefits other than cost-of-living adjustments to pensions.

19. Pension Costs and Obligations (continued)

b) Winnipeg Police Pension Plan (continued)

An actuarial valuation of the Plan was carried out as at January 1, 2003 and the results were extrapolated to December 31, 2003. The principal long-term assumptions on which the valuation was based were: discount rate of 6% per year; inflation rate of 2% per year; and general pay increases 3.5% per year. The accrued pension obligation was valued using the projected benefit method pro-rated on services. Based on this valuation and extrapolation, the funded status of the Plan is as follows:

	2003	2002
Pension fund assets, at actuarial value	$ 706,139	$ 678,251
Accrued pension obligations	$ 658,800	$ 520,086
Future cost-of-living increases	–	57,504
Contribution stabilization reserve	51,801	–
	$ 710,601	$ 577,590

The market value of the pension fund assets as at December 31, 2003, is $693 million (2002 – $620 million).

Total contributions made by the City to the Plan in 2003 were $6.2 million (2002 – $3.8 million). Total employee contributions to the Plan in 2003 were $6.3 million (2002 – $6.4 million). Benefits paid from the Plan in 2003 were $23.9 million (2002 – $22.5 million).

The expected rate of return on Plan assets in 2003 was 6% (2002 – 6%). The actual rate of return, net of investment expenses, on Plan assets in 2003 was 13.8% (2002 – (5.2)%).

c) Councillors' Pension Plan

(i) Pension Plan Established Under By-law 355/93

On November 2, 1992, the pension plan provided to members of Council was terminated, thereby not allowing new members to be accepted to the plan and current members being entitled to receive retirement benefits once they become eligible. In 2003, the City paid out $0.3 million (2002 – $0.3 million).

(ii) Pension Plan Established Under By-law 7869/01

On November 22, 2000, City Council adopted the policy that effective January 1, 2001, a Council Pension Plan be created for all members of Council for The City of Winnipeg which is consistent with the Civic Employees' Pension Plan.

d) Group Life Insurance Plan

Employees of the City who are members of the Civic Employees' Pension Plan and the Winnipeg Police Pension Plan must become members of the Civic Employees' Group Life Insurance Plan and the Police Employees' Group Life Insurance Plan respectively. These plans provide life insurance coverage for members while employed and coverage can be continued into retirement at the employees' option. Plan members and the City share the cost of basic life insurance coverage. An actuarial valuation indicated that this post-retirement liability is fully funded.

20. Property and Liability Insurance

The City purchases comprehensive insurance coverage for property and liability with a self-insured retention level of $250 thousand per claim for most of the policies. The City has established an Insurance Reserve Fund that enables the City to carry a large self-insured retention level which mitigates the effect of poor claims experience in any given year. The balance of the reserve as at December 31, 2003 is $7.1 million (2002 – $6.5 million).

21. Comparative Figures

For 2003, CentreVenture Development Corporation is included in the City of Winnipeg's consolidated financial statements on a retroactive basis. The 2003 opening surplus has been increased by $5.5 million (2002 - $4.4 million).

Certain other comparative figures have been reclassified to conform with the current year's presentation.

Consolidated Financial Statements
Five-Year Review

As at December 31
(amounts in thousands of dollars, except as noted)

(Unaudited)	2003	2002	2001	2000	1999
1. Population (as restated per Statistics Canada)	644,500	639,800	637,000	634,100	630,700
Unemployment rate (per Statistics Canada)					
• Winnipeg	5.2%	5.3%	5.1%	5.3%	5.8%
• National average	7.6%	7.7%	7.2%	6.8%	7.6%
2. Average total employees	8,385	8,333	8,870	8,888	9,097
3. Number of taxable properties	199,118	198,827	198,252	192,792	189,519
Payments-in-lieu					
• Number of properties	872	825	859	898	834
4. Assessment					
• Residential	$ 18,069,819	17,711,900	16,950,454	17,641,656	17,486,001
• Commercial and industrial	7,099,635	7,011,063	6,242,499	5,295,751	5,202,799
• Farm and golf	104,099	108,179	106,799	108,943	113,363
	$ 25,273,553	24,831,142	23,299,752	23,046,350	22,802,163
Assessment per capita (in dollars)	$ 39,214	38,811	36,577	36,345	36,154
Commercial and industrial as a percentage of assessment	28.09%	28.23%	26.79%	22.98%	22.82%
5. Tax arrears	$ 42,761	47,978	45,283	48,333	47,332
6. Tax arrears – per capita (in dollars)	$ 66.35	74.99	71.09	76.22	75.06
7. Municipal mill rate	29.686	29.686	32.140	32.809	33.479
• Percentage change adjusted for portioning and reassessment	0.00%	-2.00%	-2.42%	-2.00%	-0.40%
8. Winnipeg consumer price index (annual average)					
• 1992 base year 100	125.50	123.30	121.50	118.10	115.30
• Percentage increase	1.78%	1.48%	2.88%	2.43%	2.04%
9. Consolidated revenue					
• Taxation	$ 489,996	484,220	480,974	488,334	485,786
• User charges	318,605	295,893	416,408	409,474	402,968
• Government transfers	97,082	94,026	93,741	92,530	96,318
• Interest and other revenue	55,746	56,769	50,078	86,460	57,894
• Gain on sale of Hydro	–	227,476	–	–	–
	$ 961,429	1,158,384	1,041,201	1,076,798	1,042,966
10. Consolidated expenses by function					
• Municipal operations	$ 661,970	640,692	627,964	612,442	624,398
• Public utilities	219,178	223,814	324,858	307,868	323,502
• Civic corporations	29,855	30,307	27,758	26,566	26,576
	$ 911,003	894,813	980,580	946,876	974,476
11. Growth in Surplus for the year	$ 46,196	275,655	33,830	31,577	26,634
Growth (Decline) in Reserves for the year	$ 4,230	(12,084)	26,791	98,345	41,856

Notes:

In 2002, the City conducted a general reassessment which moved from a 1996 level of value to a 1999 level of value.

For 2001 and prior years, the revenue, expenses, change in surplus, and net financial liabilities figures have not be restated for Centreventure Development Corporation.

The 2001 - 1999 figures include Winnipeg Hydro's operations.

Consolidated Financial Statements
Five-Year Review

As at December 31
(amounts in thousands of dollars, except as noted)

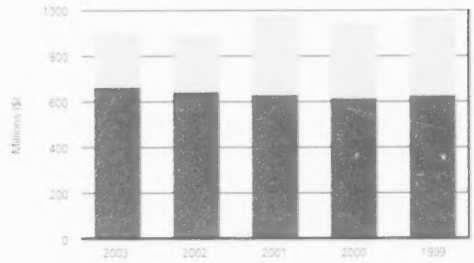
(Unaudited)		2003	2002	2001	2000	1999
12. Consolidated expenses by object						
• Salaries and benefits	$	465,442	433,185	437,557	435,028	449,514
• Goods and services		290,573	283,703	340,983	299,586	310,958
• Debt interest and repayment		133,537	143,856	176,253	189,312	182,818
• Grants and other expenses		21,451	34,069	25,787	22,950	31,186
	$	911,003	894,813	980,580	946,876	974,476
13. Payments to school authorities	$	425,053	414,140	395,404	380,905	368,983
14. Debt						
• Tax-supported	$	489,974	576,659	631,332	636,340	741,286
• Transit		33,606	38,007	42,607	42,782	45,951
• City-owned utilities		177,429	204,833	419,957	419,517	420,272
• Other		39,372	39,890	40,892	41,881	41,811
• Total gross debt		740,381	859,389	1,134,788	1,140,520	1,249,320
• Less: Sinking Fund		245,709	363,097	405,865	353,101	345,859
• Total debt	$	494,672	496,292	728,923	787,419	903,461
Percentage of total assessment		1.96%	2.00%	3.13%	3.42%	3.96%
15. Acquisition of tangible capital assets						
Gross purchase	$	164,384	157,511	135,693	124,075	181,090
Less: internally financed						
• Combined Sewer Renewal		15,398	18,074	16,957	17,532	13,838
• Transit Bus Replacement		9,237	4,865	3,686	–	8,251
• Watermain Renewal		6,541	8,964	7,940	7,399	7,944
• General Revenue		5,072	3,900	4,645	1,200	–
• Sewage Disposal System		4,514	3,412	3,749	3,500	3,253
• General Purpose		4,170	–	–	–	–
• Other		3,837	2,681	1,709	1,058	2,900
• Aqueduct Rehabilitation		3,458	8,242	5,659	4,813	5,516
• Environmental Projects		1,187	935	453	792	5,403
• Waterworks System		1,080	1,635	1,601	3,333	6,594
• Frontage levies		–	10,000	–	–	–
• Equipment and Material Services		–	301	6,727	1,994	1,795
		54,494	63,009	53,126	41,621	55,494
	$	109,890	94,502	82,567	82,454	125,596
16. Net Financial Liabilities	$	(51,874)	(98,690)	(576,326)	(668,103)	(828,704)
17. Reserves and Surplus						
• Reserves	$	297,901	293,671	305,755	278,964	180,619
• Surplus	$	596,284	550,088	270,076	236,246	204,669
18. Area in acres at the end of the year		116,000	116,000	116,000	116,000	116,000
19. Construction						
• Permits issued		8,344	8,719	7,938	7,893	7,701
• Value	$	649,071	427,028	372,969	475,691	504,158
Housing starts		2,208	1,451	1,290	1,044	1,127

Consolidated Financial Statements
Five-Year Review

As at December 31

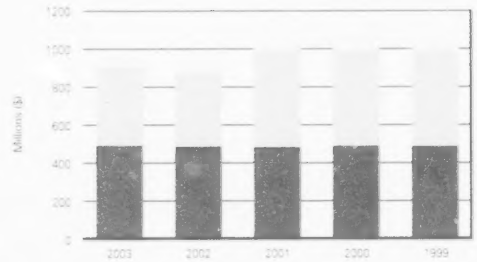
Consolidated Expenses by Function (1)

- Civic Corporations
- Public Utilities
- Municipal Operations



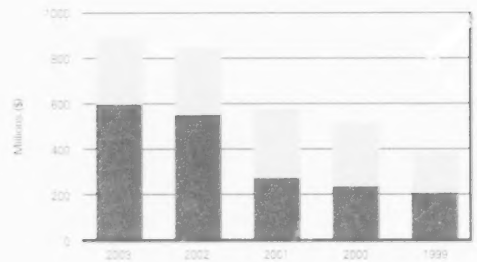
Consolidated Revenues by Source (1 and 2)

- Interest and Other Revenue
- Government Transfers
- User Charges
- Taxation



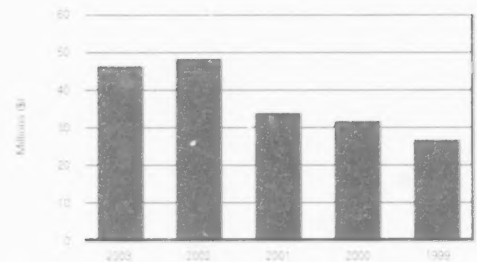
Reserves and Surplus (1)

- Reserves
- Surplus



Growth in Surplus for the Year (1 and 2)

- Surplus



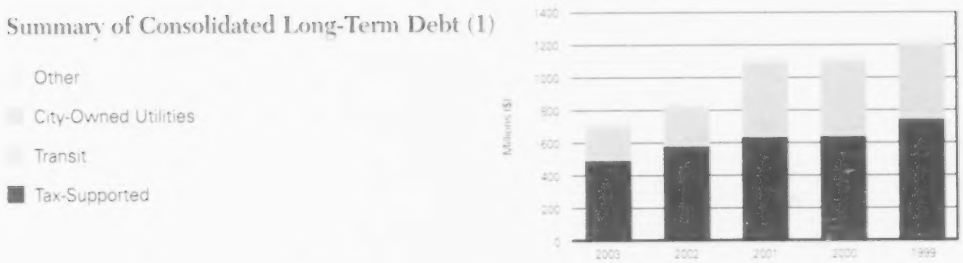
(1) Figures for 2001 – 1999 exclude CentreVenture Development Corporation and include Winnipeg Hydro.

(2) Excludes the gain on sale of Winnipeg Hydro in 2002.

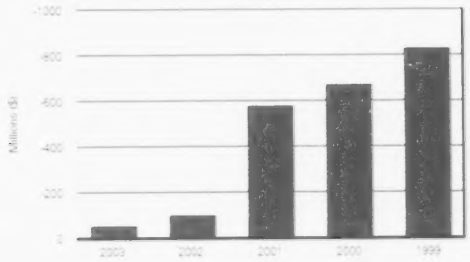
Consolidated Financial Statements
Five-Year Review

As at December 31

Summary of Consolidated Long-Term Debt (1)



Net Financial Liabilities (1)



Principal Corporate Taxpayers

	Total 2003 Municipal and Business Taxes (in millions of dollars)
Ontrea Inc.	$ 3.5
Centra Gas (Manitoba) Inc.	$ 3.4
OPB Realty (St. Vital) Inc.	$ 2.8
North Portage Development Corp.	$ 2.1
Canadian National Railway Co.	$ 2.0

A *Responsive* Political Structure

On January 1, 1972, The City of Winnipeg Act came into force creating the new unified City of Winnipeg. The legislation amalgamated a previously fragmented municipal structure of 12 municipalities and the Metropolitan Corporation of Greater Winnipeg into one single unified city government (Unicity). In the last 30 years, the City's political decision-making structure has been both reduced in size and significantly streamlined. On January 1, 2003 The City of Winnipeg Act was replaced by Bill 38 – The City of Winnipeg Charter Act.

The citizens of Winnipeg are served by the Mayor, who is elected at large, and 15 full-time Councillors, each representing one ward. On September 25, 2002, new boundaries and names for each of the 15 wards came into force, as approved by the Winnipeg Wards Boundaries Commissions on November 15, 2001.

Council is the governing body of the City and the custodian of its powers, both legislative and administrative. The City may exercise only those powers granted to it by legislation. Council is supported by its Executive Policy Committee (EPC), four Standing Committees, as well as community and ad hoc committees.

Passed by Council on October 29, 1997, The City Organization By-law, No. 7100/97, provides for the governance and administrative structure of the City and the delegation of certain powers and responsibilities from Council to EPC, the Standing Committees, and the Chief Administrative Officer, and sets out Council's delegation of authority.

Executive Policy Committee

EPC is chaired by the Mayor and is comprised of the chairpersons of the standing committees, and other members of Council appointed by the Mayor. The number of members of EPC cannot exceed seven.

Standing Committees

Council is assisted in the discharge of its responsibilities by its Standing Committees. These committees are delegated certain powers and duties, and provide policy advice related to their specific responsibilities to Council through EPC. They also receive recommendations from the five Community Committees which provide the forum for public input.

The Standing Policy Committees on Property and Development, Protection and Community Services, and Public Works are responsible for providing policy advice to Council on matters within their respective jurisdictions, as detailed in the chart on the facing page.

The Standing Committee on Fiscal Issues is responsible for coordinating and advising EPC on the City's fiscal policy development and fiscal strategies.

Chief Administrative Officer

The City Organization By-law provides for a Chief Administrative Officer (CAO), reporting directly to EPC. As the senior representative of the civic administration, the CAO is responsible for overseeing implementation of the policies and programs of the city. The CAO also make policy recommendations and provides information to Council for its deliberation.

A Chief Financial Officer (CFO) reports to the CAO.

Current administrative departments include: Community Services, Corporate Finance, Property Assessment, Corporate Information Technology, Corporate Services, Police Service, Fire/Paramedic Service, Public Works, Transit, Water and Waste, and Planning, Property and Development.

Executive & Functional Organization

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Henry Kalen
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Manitoba Theatre Centre/Bruce Monk
Mainstage 2003
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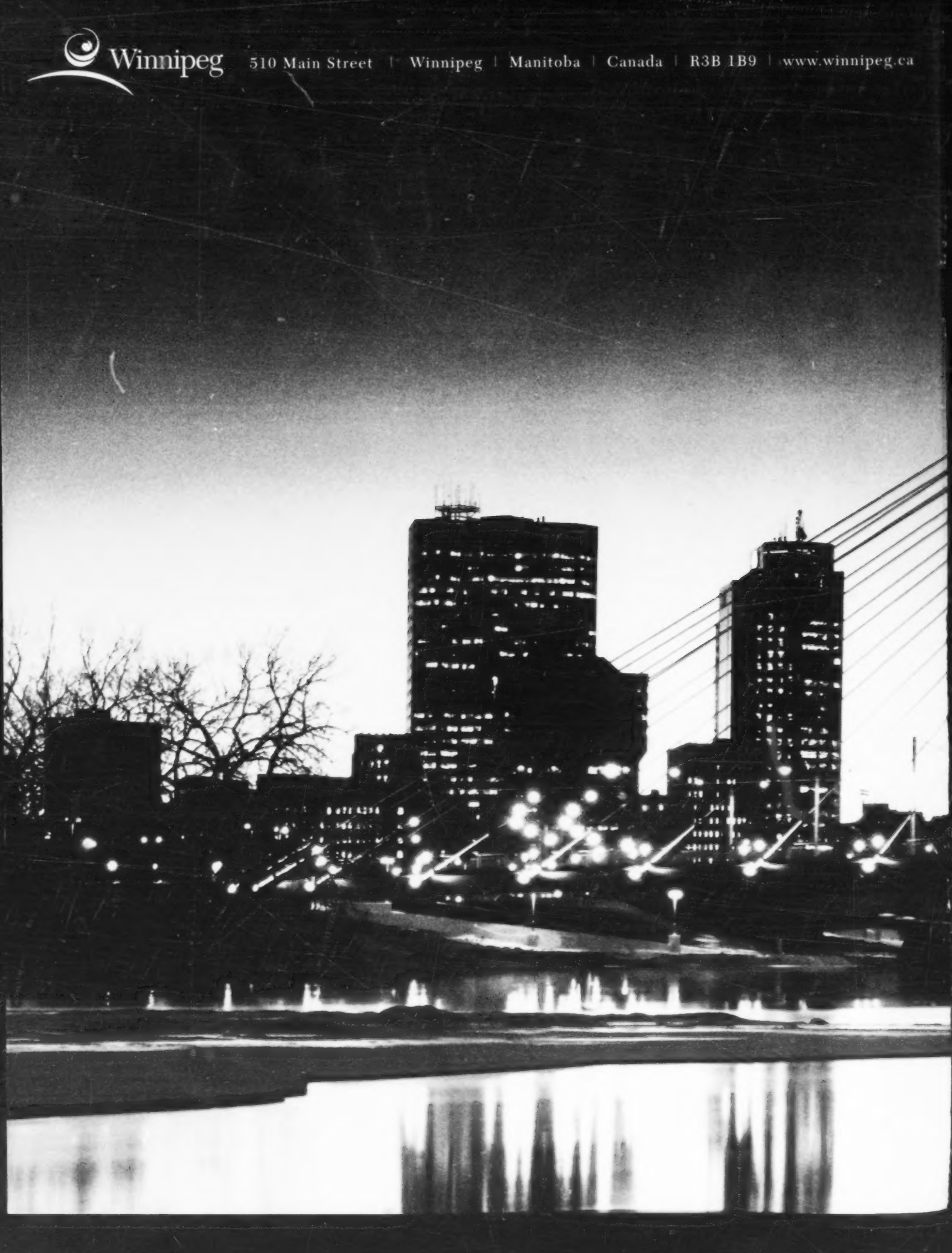
Winnipeg's Contemporary Dancers/
Hugh Conacher
Page 7 Gabriela Rehak-Dovgoselets in
Rachel Browne's *Songs That Dance*

Permission by Simon Fields, Producer
Shall We Dance
Page 26 Jennifer Lopez and
Richard Gere

Creating beauty in new suburbs and the inner city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